

AGENDA

AMENDED AGENDA OF THE SPECIAL SESSION OF THE MAYOR AND COUNCIL OF THE CITY OF BISBEE, COUNTY OF COCHISE, AND STATE OF ARIZONA, TO BE HELD ON TUESDAY, MAY 29, 2018, AT 5:30 PM IN THE COCHISE COUNTY BOARD OF SUPERVISORS HEARING ROOM 1415 MELDOY LANE, BUILDING G, BISBEE, ARIZONA.

THE MEETING WAS CALLED TO ORDER BY _____ AT _____.

ROLL CALL

COUNCIL

Councilmember Anna Cline, Ward III
Councilmember Joan Hansen, Ward II
Councilmember Frank Davis, Ward I
Mayor David M. Smith
Councilmember Bill Higgins, Ward I
Councilmember Douglas Dunn, Ward II, Mayor Pro Tempore
Councilmember Gabe Lindstrom, Ward III

STAFF

Robert Smith, City Manager
Ashlee Coronado, City Clerk
Keri Bagley, Finance Director
Daniel Duchon, Personnel Director
Andy Haratyk, Public Works Director
Albert Echave, Police Chief
George Castillo, Fire Chief

CITY ATTORNEY

Britt Hanson

THE FOLLOWING ITEM WILL BE DISCUSSED AND/OR CONSIDERED AT THIS MEETING:

1. Discussion, Consideration and Possible Adoption of:
 - A RESOLUTION APPROVING THE SALE AND EXECUTION AND DELIVERY OF PLEDGED REVENUE REFUNDING OBLIGATIONS TO PREPAY LEASE PURCHASE AND LOAN AGREEMENTS OF THE CITY;
 - APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF NECESSARY DOCUMENTS;
 - DELEGATING AUTHORITY AND APPOINTING MICHAEL CAFISO AS CITY BOND ATTORNEY TO DETERMINE CERTAIN MATTERS WITH RESPECT TO THE FOREGOING;

Robert Smith, City Manager

ADJOURNMENT

Individuals with hearing disabilities can contact the City Clerk's Office (520) 432-6012 to request an Assisted Listening Device, at least 24 hours before the meeting.

Anyone needing special accommodation to attend this meeting should contact Ashlee Coronado at (520) 432-6012 at least twenty-four hours before the meeting.

Public documents referred to herein may be viewed during regular business hours at the City Clerk's Office at 1415 W. Melody Lane, Bldg. G., Bisbee.

Pursuant to A.R.S. § 38-431.03(A) (3), the Council may vote to enter executive session at any point during this meeting for discussion or consultation for legal advice with its attorney(s), who may appear telephonically.



REQUEST FOR MAYOR & COUNCIL ACTION

Session of: May 29, 2018

Regular Special

DATE ACTION SUBMITTED: May 24, 2018

REGULAR **CONSENT**

TYPE OF ACTION:
RESOLUTION **ORDINANCE** **FORMAL ACTION** **OTHER**

SUBJECT: **Restructuring certain debt held by the City –**

CONSIDERATION AND POSSIBLE ADOPTION OF

1. **A RESOLUTION APPROVING THE SALE AND EXECUTION AND DELIVERY OF PLEDGED REVENUE REFUNDING OBLIGATIONS TO PREPAY LEASE PURCHASE AND LOAN AGREEMENTS OF THE CITY;**
2. **APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF NECESSARY DOCUMENTS;**
3. **DELEGATING AUTHORITY AND APPOINTING MICHAEL CAFISO AS CITY BOND ATTORNEY TO DETERMINE CERTAIN MATTERS WITH RESPECT TO THE FOREGOING;**

FROM: **Robert E. Smith, City Manager**

RECOMMENDATION: **Approve this action item as described above.**

PROPOSED MOTION: **The City Council of the City of Bisbee, AZ hereby adopts and approves:**

1. **A RESOLUTION APPROVING THE SALE AND EXECUTION AND DELIVERY OF PLEDGED REVENUE REFUNDING OBLIGATIONS TO PREPAY LEASE PURCHASE AND LOAN AGREEMENTS OF THE CITY;**
2. **APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF NECESSARY DOCUMENTS;**
3. **DELEGATING AUTHORITY AND APPOINTING MICHAEL CAFISO AS CITY BOND ATTORNEY TO DETERMINE CERTAIN MATTERS WITH RESPECT TO THE FOREGOING;**

DISCUSSION:

SEE ATTACHED STAFF REPORT

FISCAL IMPACT:

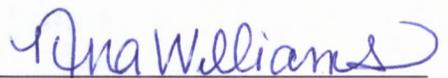
DEPARTMENT LINE ITEM ACCOUNT:

BALANCE IN LINE ITEM IF APPROVED:

Prepared by:

**Robert Smith,
City Manager**

Reviewed by:



**Nina Williams,
Deputy City Clerk**

Office of the City Manager

Thursday, May 24, 2018

To: Council
Fr: RES
Re: Debt Restructuring

Council – some background and information regarding the anticipated restructuring of existing municipal debt.

History –

Analysis of existing debt held by the City has revealed that some debt is structured with unfavorable terms which are placing undue pressure on the Wastwater Fund, and in turn, will force higher user fees. Staff estimates that as much as \$500K can be relieved from City payments on this debt, to be used by Council at it's convenience on other matters.

The City has determined that user fees need to be evaluated and has authorized the use of Dan Jackson (Wildan) to study and prepare a rate table for Council's consideration. Mr. Jackson's contract is soon to be awarded, as his response to RFP for selection was the most competitive. Work on the rate schedule will soon commence.

Council has already approved Mark Reader (Stifel) to create and propose a refinancing action for this matter – this was directed by Council over a month ago when it authorized his engagement to propose such.

Mr. Reader has been working with Michael Cafiso (Attorney, Greenberg Traurig) to assemble such a proposal and necessary paperwork to effect a solicitation to the investment market, on behalf of the City of Bisbee, to seek out better terms for our existing debt. In order to effect that work, he will need the City to approve and execute documents ordering same (being presented for action on 5/29/18). Upon execution of those documents (in your packet), Mark will prepare an RFP to competitively seek the best possible financing terms for the City, and will effect the transactions necessary to close the existing debt, and fund the new debt instrument.

Stifel has contracts for this action within and approved by the AZ SAVE cooperative – a state approved consortium of local governments that share procured agreements to ensure greater access to the best competitive pricing. The City of Bisbee is an official member of SAVE and has access to these contracts and unit pricing as a result. The contract for services with Stifel has been competitively secured, meets all procurement requirements and is available for the City's use.

A quick summary of anticipated results from the refinancing:

Office of the City Manager

The City has about \$2M in reserve funds that are tied up in the existing debt -- being held for repair and replacement costs, operations and maintenance costs and for future debt service payments, should the City face difficulty in coming up with the funds to pay on the debt. These monies will be liquidated and used in the refinancing to get the most efficient impact on the new debt structure. If the City is going to budget for and hold \$1.3M a year in depreciation for the wastewater plant, it shouldn't be also reserving some \$2M in cash at the same time. Setting aside that much resource is taking important cash out of the City's operation, and placing too much pressure on sewer rate payers.

Anticipated Savings from the restructuring should be in the \$500K range annually, until 2026. Our ongoing payments on this debt will begin and stay around \$500K per year, through 2038. Current debt service payments are over \$1.1 M a year until 2026.

Through the life of the 20 year restructuring, the City will save over \$1M, which has a net present value of \$2.2M. Most importantly, for the first 7 years, the city will pay about \$3.5M less in debt service payments than it would under our current debt structure. This relief is desperately needed while the City responds to pressure from the recession and PSPRS.

We anticipate the restructuring interest rate to be lower than the existing rate on the City's USDA debt which is set at 4.125%, but higher than the WIFA rate of 2.48%.

This debt restructure will retire about \$9M in existing debt, will place about \$7M in a new debt structure, and will be secured by a pledge of excise taxes.

Bisbee AZ
Office of the City Manager

Tuesday, May 22, 2018

To: Council;
CC: Keri, Britt
Fr: RES
Re: Debt Restructuring

Council –

In addition to the email sent yesterday, I wanted to follow up as promised, with additional details regarding the debt restructuring we need to consider soon.

Current wastewater loan reserve funds – the City has about \$2.5M in reserve funding that is tied to (built into) the existing wastewater loans – some funds are in a debt service reserve (backup of a payment or two) and some are in a repair and replacement reserve (to fix something if it breaks)... Usually when you borrow money for a wastewater plant (or similar), the debt instrument requires these reserves to accommodate the unexpected, and that's what we have here. Mark Reader is proposing, and I support, the liquidation of these reserves, and use of these funds to help restructure the debt. The new debt will rely on reserves that are built into its new structure (investors require it) – so the City will begin to rely on the \$1.3M depreciation we are forced to budget each year as a reserve fund for wastewater repairs, and we can pledge excise tax towards this too (we have the capacity), in order to secure the best financing terms possible.

We will be working to create revenue bonds – which is a form of debt that is offset by the utility rates paid by users of the service. This is the same structure we currently use – our existing debt instruments are built to rely on user fees to pay them off, but our existing debt was also built under the assumption that the City would experience +10% growth each year, which has not emerged. Restructuring the debt, and spreading it out over a longer period of time will reduce the annual amount required to pay it off, and ease some of the burden/pressure on our rate payers.

Revenue bonds do not require a ballot measure – they are built off the financial performance of the enterprise fund, and paid for by the rate structure that the users pay for the service. Revenue bonds are frequently used to fund infrastructure (enterprises) where user rates offset operational costs of the infrastructure. Council can act to establish revenue bonds without an election.

Mark Reader (Stifel) and Michael Cafiso (GreenbergTraurig) are heading up this restructuring effort, and will prepare the Parameters Resolution, as well as anti-trust documents and placement agreements that Council will need to sign to get this done. I hope to have drafts of them soon, and will get them to you

Bisbee, AZ

Office of the City Manager

ASAP. Mark and Michael will do all the work to create and circulate the RFP soliciting investment, find an investor, retire the old debt and create/close on the new debt instrument – once Council agrees to the financial parameters and contracts, our work is almost done.

These bonds do require an RFP to secure investors (a service provided by Mark), and I am hopeful that we can get funded through competitive response to that RFP. It is important that we establish accurate rates in relationship to revenue bond debt so it is supported properly, and that is why we have Dan Jackson (who secured the RFP with us) to do a rate study soon. We will award Dan's contract and have him come in and do the rate analysis as soon as possible.

Procurement – as you know, AZ allows for State Purchasing Cooperatives, where local governments can competitively secure a service/contract, and then share that contract for other local governments to use later. By vetting the contract, the locality meets state procurement requirements, and then that contract can be used by other localities through the SAVE Cooperative (STRATEGIC ALLIANCE FOR VOLUME EXPENDITURES). This is not a group of vendors, but a group of local governments who observe state requirements for procurement, and then offer those agreements for other localities to use, so they don't have to go through additional procurement work, but can benefit from best negotiated pricing in AZ.

<https://spo.az.gov/procurement-services/cooperative-procurement> is the state website, but a better descriptor of this concept is here (Mesa website -- <http://www.mesaaz.gov/business/purchasing/save>

Cities in AZ frequently use this procurement mechanism to secure the best possible pricing while saving time, as well as ensuring that important elements of contracts/agreements are in place to protect the community.

Stifel has existing, approved and vetted contract language within the SAVE consortium, ie Stifel contracts for the service we need have been approved and used within the consortium's local governments in AZ and are available for us to use without additional procurement or modification required. I'd encourage anyone working with contracts to give the Mesa site (link above) a quick read.

The City of Bisbee is an official member of the SAVE consortium. (attached)

If we can restructure the debt, we can better match the cost of the plant to the user base here in Bisbee – prior assumptions about the number of account holders and growth of the community have not materialized, so the assumptions upon which the existing debt was structured have failed – and the terms of that debt are not reasonable, given our current circumstances.

Office of the City Manager

By using STIFEL, and because they are part of our SAVE consortium, we have the ability to reduce some of the strain on the wastewater fund quickly, to accommodate the upcoming FY.

Following up with Dan Jackson (Wildan) for a rate analysis, and the adoption of a 10 year rate schedule, will position the City to create a sustainable financial posture for the wastewater enterprise – and stop the re-direction of funds out of the General Fund (or others) to prop that enterprise up. It will reduce some strain on other General Fund Missions, which are unable to operate properly because of a shortage of funds. I will be pursuing this as soon as we restructure the debt.

Schedule – attached is a proposed schedule of action that would have Council acting on this item in enough time to avoid making the first payment for FY 18-19 on the existing WIFA debt – which is a \$768K payment.

Restructuring our debt (and retiring it before FY 18-19 begins) will allow the City to save the \$500K we have planned, and bridge the budget gap for the FY 18-19 year. If we wait, we could still restructure the existing debt later, but will have to pay the \$768K to WIFA on July 1 -- and that will significantly reduce the savings for the FY 18-19 year that we planned to use on the budget. This would mean that we would need to adjust the budget by using more GF balance (reserves) to bridge the gap for the FY 18-19.

I have also attached study sheets from Bullhead City -- which are a good example of the process we will be going through. The financial amounts will be different, but the process and issues are very similar.

Please contact me directly with any questions – I know the schedule is compressed, but with some focused work we can save Bisbee some considerable expense, and make the coming FY a true 'turn around' year. With the budget being proposed for this FY, and this debt restructuring, I fully expect to be rolling positive fund balance forward into the 19-20 FY to begin creating regular accruals to our reserves again.

RES

Robert E. Smith

From: Robert E. Smith
Sent: Monday, May 21, 2018 11:13 AM
To: Anna Cline; Bill Higgins; David Smith; Douglas Dunn; Frank Davis; Gabe Lindstrom; Joan Hansen
Cc: Ashlee Coronado (ACoronado@bisbeeaz.gov); Keri Bagley (KBagley@bisbeeaz.gov); mreader@stifel.com; Andy Haratyk (AHaratyk@bisbeeaz.gov); Britt Hanson
Subject: debt restructure

Council –

We are rapidly closing in on the end of the financial year. If restructuring our debt is to produce its full effect (\$500K savings), we will want to finalize that work in time for the new debt instrument to retire the old debt structure -- before we are required to pay our first debt payment (on the old structure) in the next financial year.

That first payment on our existing debt structure is over \$760K, due July 1 (first day of next FY). We'll want that old debt retired before then, so the payment will be much smaller under the new debt structure.

To make that happen, we need to introduce the refinancing proposal Mark has been developing at your direction. We will need to have Council act on it soon -- there are statutory timelines involved in taking action and then actually having the loans close -- so timing is tight, and the financial stakes are significant.

If we decide to wait, we will make the \$760K payment July 1, and the \$500K (from restructuring) we have been counting on to bridge the budget gap will be significantly reduced. That would mean we would either use Reserve Funds to bridge the larger gap created by the delay, or file with the state to extend and then amend the budget (I believe we can amend the budget schedule and draft if we notify the State prior to end of FY).

A reminder – we are suggesting that this debt be refinanced because:

1. The sewer plant was designed for a growing community, and anticipated a 10% growth year over year in new accounts.
2. New accounts were anticipated – which would help pay this debt – and they didn't emerge.
3. The City's collection of sewer fees has been horrible – not collecting on existing accounts has created additional losses in the waste water fund.
4. We built more plant than we needed, and borrowed to build it. The repayment schedule for that loan was horrible (1/2 of what it should have been).
5. The annual payments on that debt are larger than they have to be – adding additional stress on the City.
6. We're now forced to budget for depreciation on that large plant (\$1.3M) and that takes additional monies out of commission in the budget.
7. The waste water fund has shown negative activity (losses) for about a decade – this means that money from other funds has been used to prop up the waste water fund. This has hurt our other missions, and money owing to them (by the waste water fund) must be repaid.
8. If we lower the debt payment on the sewer plant, money left in hand can be used to help prop up the waste water fund.
9. After we restructure the sewer debt, we can look at the bad debt written off, the burden of the depreciation, and create a rate analysis and 10 year rate schedule that makes sense for our circumstances. This would have any increases planned across 10 years, and scheduled – no surprises to the community.
10. Once we have a rate schedule for the sewer plant, and have a solid/reasonable debt structure in place, we can project and plan for the future and get the fund out of trouble.

I think in any event, we will come to the business conclusion that the sewer debt needs to be restructured, so that money can be used more effectively –on depreciation for the plant or as money in the waste water fund for operations – and either of these options reduces funds being transferred into the waste water fund from other places, and helps ensure that user fees (sewer bills) are as low as possible.

Postponing this decision would cost us in the next FY, and even then, I think the ultimate decision will be that restructuring the debt is necessary.

In consideration of the above, I'm hoping that Council will act decisively and proactively, to generate as much benefit from this work as possible. I'll have details to you shortly.

RES

Robert E. Smith

City Manager | City of Bisbee, AZ
1415 Melody Ln., Bldg. G | Bisbee, AZ 85603
(O) 520-432-6014 | (C) 520-353-5010

City of Bisbee, Arizona
Preliminary / Conceptual Financing Calendar – Best Efforts Basis
\$7,300,000 (estimated)
Wastewater Utility Revenue Refunding Obligations

	Study Session held to educate City Council on potential restructuring transaction.	City, Stifel
May 21	WIFA contacted to confirm call date 2005 call date and requested exemption to refunding the 2013 due to smaller size.	Stifel
May 22nd	Bond structure alternatives and covenants to be discussed.	All Parties
May 25 th	RFP / Term Sheet outlining the financial and legal structure submitted to several financial institutions	Stifel, GT, City
May 29 th	City Council adopts a parameters Resolution delegating the authority to the City Manager and executive team to execute and negotiate the final transaction. [If emergency clause not adopted – required to wait 30 days to close. Some bidders may want to float their interest rate and set near closing date]	City, Stifel, GT
June 12 th (on or around)	RFP due date. Bids analyzed and reviewed with the City for recommendation.	City, Stifel, GT
June 28 th	Closing (on or around)	

S.A.V.E.

Contact Information

[Request Access - Members](#)

[S.A.V.E. Discussion Board](#)

[SharePoint Instructions \[PDF\]](#)

[List of S.A.V.E. Members \[PDF\]](#)

S.A.V.E.

S.A.V.E. ListServ

S.A.V.E.

Strategic Alliance for Volume Expenditures

The Strategic Alliance for Volume Expenditures (S.A.V.E.) is a consortium of local governmental agencies across the State of Arizona, who have agreements allowing other member agencies to utilize each other's contracts.

It is important to note that S.A.V.E. does not issue solicitations nor is it an organization that vendors can join. Each S.A.V.E. agency member includes cooperative language in their contracts that will allow other member agencies to purchase contracted goods and services under the same pricing, terms and conditions as the contracting agency.

The contract listing on the group site is not a complete list of contracts available to agency members. Participating governmental agencies who are interested in utilizing a contract listed should contact the issuing entity for due diligence documents. Each governmental agency member maintains a listing of current contracts on their own site as well.

Vendors who have been awarded contracts with one or more of eligible S.A.V.E. organizations have the responsibility of marketing their awarded contract to participating governmental agencies. Please note, in order for the contract to be utilized by participating S.A.V.E. agencies, the original solicitation must contain the cooperative language. Vendors should be aware that each potential participating governmental agency member reserves the right to perform a separate "due diligence" review to ensure the resultant award complies with that entities procurement rules and regulations.

This valuable tool helps support S.A.V.E. members with great advice from subject matter experts and provides access to incredible resources, tools, documents and best practices.

Members will have easy access to peers to ask questions, receive and share needed documents, conduct research for projects and much more. Members will increase their knowledge, save time and have one-stop access to

documents and member feedback. Members know they are receiving guidance from other peers which will help instill confidence and assist them in performing their job responsibilities

Strategic Alliance for Volume Expenditures
S.A.V.E. --- Cooperative Purchasing Agreements

The following agencies have signed the Cooperative Purchasing Agreement with the S.A.V.E. association as **February 7, 2018.**

Municipalities

City of Apache Junction
City of Avondale
City of Benson
City of Bisbee
City of Bullhead City
City of Casa Grande
City of Chandler
City of Coolidge
City of Cottonwood
City of Douglas
City of El Mirage
City of Eloy
City of Flagstaff
City of Glendale
City of Globe
City of Goodyear
City of Kingman
City of Maricopa
City of Mesa
City of Nogales
City of Page
City of Peoria
City of Phoenix
City of Prescott
City of Safford
City of San Luis
City of Scottsdale
City of Sedona
City of Show Low
City of Sierra Vista
City of Somerton
City of Surprise
City of Tempe
City of Tolleson
City of Tucson
City of Willcox
City of Winslow
City of Yuma
Lake Havasu City
Town of Buckeye
Town of Camp Verde
Town of Cave Creek
Town of Chino Valley
Town of Clifton
Town of Florence
Town of Fountain Hills
Town of Gila Bend
Town of Gilbert
Town of Guadalupe
Town of Marana
Town of Miami
Town of Oro Valley
Town of Paradise Valley
Town of Prescott Valley
Town of Queen Creek

Town of Sahuarita
Town of Superior
Town of Wickenburg

Counties

Apache County
Cochise County
Coconino County
Gila County
Graham County
La Paz County
Maricopa County
Mohave County
Navajo County
Pima County
Pinal County
Santa Cruz County
Yavapai County
Yuma County

Higher Education / Technology Districts

Arizona State University
Arizona Western College
Central Arizona College
Central Arizona Valley Institute of Technology (CAVIT)
Cobré Valley Institute of Technology (CVIT)
Cochise County Community College District
Coconino County Community College District
Diné College
East Valley Institute of Technology (EVIT)
Gila Institute for Technology, a Joint Technology
Education District (JTED)
Graham County Community College District
Maricopa Community College District
MidWestern University (Glendale campus)
Mohave Community College
Mountain Institute JTED
Northeast AZ Tech Institute of Voc Ed
Northern Arizona University
Pima Association of Governments (PAG)
Pima Community College
Pima County Joint Technology District #11 (JTED)
Pima Prevention Partnership dba Pima Partnership
Academy, Pima Partnership High School &
Phoenix Collegiate High School
University of Arizona
Western Arizona Vocational Educ (W.A.V.F.),
a Joint Technology Education District #50
Yavapai College

Political Agencies

Arizona Council for the Deaf and the Blind
Arizona Supreme Court
Central Arizona Project
Housing Authority of Maricopa County
Maricopa Association of Governments

Maricopa Integrated Health System
Northern Arizona Intergovernmental Public Trans
(NAIPTA)
Regional Transportation Authority (RTA)
Superior Court of Arizona, Maricopa County
Tucson Airport Authority
Valley Metro Regional Public Transit Authority
Phoenix-Mesa Gateway Airport Authority

Fire Districts

Central Yavapai Fire District
Drexel Heights Fire District
Fire District of Sun City West
Mt. Lemmon Fire District
Northwest Fire District
Superstition Mtn Community Facilities District
Sun City West Fire District
Three Points Fire District

Misc. Agencies

Central Arizona Water Conservation District (CAWCD)
North Country Community Health Center
Pima County School Reserve Fund
Western Arizona Council of Governments

School Districts

Agua Fria Union High School District # 216
Ajo Unified School District #15
Alhambra Elementary School District # 68
Altar Valley School District #51
Amphitheater Unified School District #10
Antelope Union High School #50
Apache Junction Unified School District # 43
Arlington Elementary School District #47
Ash Fork Joint Unified School District
Avondale Elementary School District #44
Bagdad Unified School District
Balsz Elementary School District #31
Beaver Creek School District #26
Benson Unified School District #9
Bisbee Unified School District #2
Blue Ridge Unified School District #32
Bonita School District #6
Bouse Elementary School District
Buckeye Elementary School District #33
Buckeye Union High School District #201
Bullhead City Elementary School District #15
Camp Verde Unified School District #28
Cartwright Elementary School District #83
Casa Blanca Middle School dba Vah Ki Middle School
Casa Grande Elementary School District
Casa Grande Union High School District
Catalina Foothills Unified School District #16
Cave Creek Unified School District #93
Cedar Unified School District #25
Chandler Unified School District # 80
Chinle Unified School District #24
Chino Valley Unified School District #51
Clarkdale-Jerome School District #3
Coconino County Regional Accommodation District #99
Colorado River Union High School District
Concho Elementary School District #6

Continental Elementary School District #39
Coolidge Unified School District #21
Cottonwood-Oak Creek School District #6
Crane Elementary School District # 13
Creighton School District #14
Deer Valley Unified School District #97
Double Adobe Elementary School District #45
Douglas Unified School District #27
Duncan Unified School District
Dysart Unified School District # 89
Eloy Elementary School District #11
Elfrida Elementary School District #12
Flagstaff Unified School District # 1
Florence Unified School District # 1
Flowing Wells Unified School District #8
Fort Huachuca Accommodation School District
Fort Thomas Unified School District #7
Fountain Hills Unified School District #98
Fowler Elementary School District #45
Gadsden Elementary School District # 32
Ganado Unified School District #20
Gila Bend Unified Schools
Gilbert Unified School District #41
Glendale Elementary School District #40
Glendale Union High School District
Globe Unified School District #1
Grand Canyon Unified School District #4
Hackberry Elementary School District #3
Heber-Overgaard Unified School District #6
Higley Unified School District #60
Holbrook Unified School District #3
Horizon Community Learning Center / Horizon
Charter School
Humboldt Unified School District #22
Hyder Elementary School District #6
Indian Oasis-Baboquivari School District #40
Isaac Elementary School District # 5
J.O. Combs Elementary School District #44
Joseph City Unified School District #2
Kayenta Unified School District #27
Kin Dah Lichi'l' Olta, Inc.
Kingman Unified School District #20
Kyrene Elementary School District #28
Lake Havasu Unified School District # 1
Laveen Elementary School District #59
Liberty Elementary School District #25
Litchfield Elementary School District #79
Littlefield Unified School District #9
Littleton Elementary School District #65
Madison Elementary School District #38
Maine Consolidated School District
Mammoth-San Manuel Unified School District #8
Marana Unified School District #6
Maricopa Regional School District #509
Maricopa Unified School District
Mary C. O'Brien ASD
Mayer Unified School District #43
Mesa Unified School District # 4
Miami Unified School District #40
Mingus Union High School District #4
Mobile Elementary School District #86
Mohave Valley Elementary School District #16

Mohawk Valley School District # 17
Morenci Unified School District #18
Morristown Elementary School District #75
Murphy Elementary School District #21
Naco Unified School District #9
Nadaburg Elementary District #81
Nogales Unified School District # 1
Osborn Elementary School District #8
Page Unified School District #8
Palominas Elementary School District #49
Palo Verde Elementary School District #49
Paradise Valley Unified School District #69
Parker Unified School District #27
Patagonia Elementary School District #6
Patagonia Union High School District #92
Payson Unified School District #10
Peach Springs Unified School District #8
Pendergast School District #92
Peoria Unified School District #11
Phoenix Elementary School District # 1
Phoenix Union High School District #210
Picacho Elementary School District #33
Pima Unified School District #6
~~Pine Strawberry Elementary School District #12~~
Pinon Unified School District #4
Pomerene Elementary School District #64
Prescott Unified School District #1
Quartzsite Elementary School District #4
Queen Creek Unified School District # 95
Ray Unified School District #3
Red Mesa Unified School District #27
Riverside Elementary School District #2
Roosevelt Elementary School District # 66
Round Valley Unified School District #10
Sacaton Elementary School District #18
Saddle Mountain Unified School District #90
Safford Unified School District #1
Sahuarita Unified School District #30
San Carlos Unified School District #20
Sanders Unified School District #18
San Simon Unified School District #18
Santa Cruz Valley Unified School District #35

Santa Cruz Valley Union High School District #840
Scottsdale Unified School District # 48
Sedona-Oak Creek Unified School District #9
Seligman Unified School District #40
Sentinel Elementary School District #71
Shonto Preparatory Schools
Show Low Unified School District #10
Sierra Vista Unified School District # 68
Snowflake Unified School District #5
Somerton Elementary School District #11
Stanfield Elementary School District #24
St. David Unified School District #21
St. Johns Unified School District
Sunnyside Unified School District #12
Superior Unified School District #15
Tanque Verde Unified School District #13
Tempe Elementary School District # 3
Tempe Union High School District # 213
Thatcher Unified Schools
Toltec Elementary School District #22
Tolleson Elementary School District #17
Tolleson Union High School District # 214
Tombstone Unified School District #1
Tuba City Unified School District #15
Tucson Unified School District
Union Elementary School District #62
Vail Unified School District #20
Valley Union High School District #22
Vernon Elementary School District
Washington Elementary School District # 6
Wellton Elementary School District #24
West-MEC District #402
Whiteriver Unified School District #20
Wickenburg Unified School District #9
Willcox Unified School District
Williams Unified School District #2
Wilson Elementary School District #7
Window Rock Unified School District #8
Winslow Unified School District #1
Young Public-School District
Yuma Elementary School District # 1
Yuma Union High School District # 70

CITY OF BULLHEAD CITY, ARIZONA
WASTEWATER UTILITY REVENUE AND REVENUE REFUNDING OBLIGATIONS, SERIES 2013 (THE
"OBLIGATIONS")

Request for Private Financing Proposals – Proposed General Terms and Conditions

Terms/Definitions	Description
Issuer:	City of Bullhead City, Arizona (the "City")
Estimated Principal Amount:	OPTION A: \$5,050,000 (New Money) OPTION B: \$15,840,000 (New Money & Refunding) Note: Refunding is interest rate sensitive and is being considered for economic savings only. If the savings threshold is not met, the City will only issue the new money component.
Bank Qualified:	No for Option B. Please submit rates for both.
Purpose:	OPTION A: Finance wastewater improvements in the amount of \$5 million as well as pay costs of issuance and placement fee associated with the financing. OPTION B: Finance wastewater improvements in the amount of \$5 million as well as refunding the 2003 excise tax revenue bonds and the callable 2006 excise tax revenue bonds which originally financed the wastewater treatment plant expansion as well as pay costs of issuance and placement fee associated with the financing.
Financing Structure:	The Obligations are special obligations of the City payable solely from the Net Wastewater Revenues and secured as to the payment of the principal and redemption price thereof, and interest thereon, in accordance with their terms and will be pledged and assigned as security for the payment of the principal and redemption price of, and interest on the Obligations, and as security for all outstanding, and future issued parity obligations. "Net Revenues" shall mean for each Fiscal Year the Wastewater Revenues remaining after deduction of Operating Expenses. "Revenues" shall mean an include all service charges, income, moneys and receipts derived by the City from the ownership, use and operation of the System, or any part thereof, including, without limitation, interest received on, and profits realized from the sale of, investments made with moneys of the System; however, the term Revenues shall not include interest received on any investments placed irrevocably in trust to pay, or provide for the payment of, any bond or bonds that have been refunded.
Security and Source of Repayment:	The Obligations are payable as to both principal and interest from and secured by a lien and pledge of the revenues, proceeds and receipts to be derived by the City from the operation of the City's wastewater system (the "System"); subject only to the payment of the reasonable and necessary cost of operating and maintaining the System. Payment of the Obligations are not secured by any assets, other than the City's Net Revenues described herein. See Estimated Debt Service Requirements and Coverage information provided in the link below.

Terms/Definitions	Description
Rate Covenant:	The City covenants and agrees that it will establish and maintain rates, fees and other charges for all services supplied by the System to provide Revenues fully sufficient at all times, after making reasonable allowance for contingencies and errors in estimates, to pay all Operating Expenses and to produce an aggregate amount of Net Revenues in each Fiscal Year equal to one hundred twenty percent (120%) of the then current Annual Debt Service Requirement of all of the Obligations then Outstanding, and said rates, fees and other charges shall also be established and maintained at rates sufficient to provide an amount of Net Revenues for the then current Fiscal Year which, net of the aggregate amounts required to be deposited to the Bond Fund during such Fiscal Year, will still be sufficient to provide at least one hundred percent (100%) of the amounts with regard to any Credit Facility, due and owing in such Fiscal Year.
Additional Parity Obligations:	Additional Parity Obligations may be issued if: The Net Revenues for the completed Fiscal Year immediately preceding issuance of the Additional Obligation must be at least equal to 120% of Maximum Annual Debt Service on all Outstanding Obligations immediately after issuance of such Additional Obligations is as shown by a certificate signed by the City's Finance Director. For the purposes of such computation, additional amounts may be added to the preceding Fiscal Year's Net Revenues: (1) If Additional Obligation proceeds or other City Revenues will acquire existing water properties, there may be added to such Net Revenues the net revenues to be derived from the operation of such existing water properties for the immediately preceding Fiscal Year, or (2) if after the start of the preceding Fiscal Year, the City increased its rates, fees and charges, the projected additional Net Revenues from such increase, had it been in effect throughout such Fiscal Year. In each case the additional Net Revenues shall be estimated by an engineer, engineering firm or consultant with a favorable reputation in respect to such matters.
Outstanding Wastewater Obligations:	None. This represents the City's first Wastewater Utility Revenue Obligation.
Credit Rating:	None applied for on this Obligation financing. Note: The City's Excise Secured Rating is an "A+" by S&P (see attached). <u>This is for information purposes only.</u>
Proposed Payment Structure:	Fixed annual principal beginning July 1, 2014 and semi-annual interest beginning January 1, 2014. See below for proposed principal structure.
Proposed Prepayment:	Bidders to provide. Will be taken into account in determining final award.
Additional Terms and Conditions:	Entities submitting proposals expected to submit specific terms, fees and conditions, including those deviating from this Term Sheet.
Special Counsel:	Greenberg Traurig, LLP; contact: Michael Cafiso, Esq., (602) 445-8452 / cafisom@gtlaw.com or Paul Gales, Esq., (602) 445-84004 / galesp@gtlaw.com
Legal Documents:	To be provided by the City's Special Counsel. A Tax-Exempt Opinion will be provided. (Draft copies included of documents will be provided after the proposals are due).
Placement Agent:	Stifel Nicolaus & Company Incorporated; contact: Mark Reader, mreader@stifel.com , 602-794-4011; or Erika Miller, esmiller@stifel.com , 602-794-4030.
Closing Date:	October 15, 2013 (subject to change).
Proposals Due:	Friday, September 20, 2013 at 10:00 AM (MST/AZ Time) (E-mail copies accepted and submitted to Stifel Nicolaus). Please direct questions to Mark Reader or Erika Miller.
Proposal Award:	City officials may select the Purchaser on a preliminary basis to negotiate final terms, conditions, covenants and financing documentation in preparation for consideration on October 1, 2013. (Parameter Resolution.) The City reserves the right to reject any or all proposals and submit future requests for proposals depending on results, among other factors and reserves the right to issue the obligations in a public offering. The City further reserves the right to negotiate final terms and conditions with any entity that responds to this request.

CITY OF BULLHEAD CITY, ARIZONA

WASTEWATER UTILITY REVENUE AND REVENUE REFUNDING OBLIGATIONS, SERIES 2013

**PROPOSED MATURITY SCHEDULE – NEW MONEY OBLIGATIONS
\$5,050,000 (subject to change)
OPTION A (a)**

<u>Maturity Date</u>	<u>Principal</u>
7/1/2014	\$245,000
7/1/2015	350,000
7/1/2016	355,000
7/1/2017	365,000
7/1/2018	375,000
7/1/2019	385,000
7/1/2020	395,000
7/1/2021	405,000
7/1/2022	415,000
7/1/2023	425,000
7/1/2024	435,000
7/1/2025	445,000
7/1/2026	<u>455,000</u>
Estimated Total	<u>\$5,050,000</u>

Average Life: 6.635 years

(a) Principal amounts subject to change.

**PROPOSED MATURITY SCHEDULE-NEW MONEY & REFUNDING OBLIGATIONS
\$15,840,000 (subject to change)
OPTION B (a)**

<u>Maturity Date</u>	<u>Principal</u>
7/1/2014	\$1,145,000
7/1/2015	1,205,000
7/1/2016	675,000
7/1/2017	555,000
7/1/2018	1,280,000
7/1/2019	1,315,000
7/1/2020	1,345,000
7/1/2021	1,380,000
7/1/2022	1,415,000
7/1/2023	1,450,000
7/1/2024	1,490,000
7/1/2025	1,525,000
7/1/2026	<u>1,060,000</u>
Estimated Total	<u>\$15,840,000</u>

Average Life: 7.190 years

(a) Principal amounts subject to change.

Documents Link:

http://share.syllc.com/xythoswfs/webui/xy-3750692_1-t_1ZzteVAy

- City audited financial statements for Fiscal Years ended 6/30/09, 6/30/10, 6/30/11 and 6/30/12
- City Adopted Budget for Fiscal Year 2012/13 & Fiscal Year 2013/14
- Estimated Debt Service Requirements and Coverage (below)
- Wastewater System Information
- Demographic information for the City

City of Bullhead City, Arizona
Estimated Debt Service Requirements & Coverage
OPTION A (NEW MONEY ONLY)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Year Ending June 30	City Est. Net Wastewater Revenues (a)	\$5,050,000 New Money Only (b) Wastewater Debt Service			Aggregate Total Debt Service	Estimated Debt Service Coverage
		Principal	Interest (c)	Total		
2013	\$ 4,531,393					
2014	4,091,797	\$245,000	\$91,531	\$336,531	\$336,531	13.46x
2015		350,000	120,125	470,125	470,125	8.70x
2016		355,000	111,375	466,375	466,375	8.77x
2017		365,000	102,500	467,500	467,500	8.75x
2018		375,000	93,375	468,375	468,375	8.74x
2019		385,000	84,000	469,000	469,000	8.72x
2020		395,000	74,375	469,375	469,375	8.72x
2021		405,000	64,500	469,500	469,500	8.72x
2022		415,000	54,375	469,375	469,375	8.72x
2023		425,000	44,000	469,000	469,000	8.72x
2024		435,000	33,375	468,375	468,375	8.74x
2025		445,000	22,500	467,500	467,500	8.75x
2026		455,000	11,375	466,375	466,375	8.77x
		<u>\$5,050,000</u>	<u>\$907,406</u>	<u>\$5,957,406</u>		

(a) Based on information provided by the City. See attached Historical & Projected Summary of the Wastewater Revenues & Expenses.

(b) Includes \$5 million deposit to the project fund.

(c) Interest is estimated.

City of Bullhead City, Arizona
Estimated Debt Service Requirements & Coverage-OPTION B
OPTION B (NEW MONEY & REFUNDING)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Year Ending June 30	City Est. Net Wastewater Revenues (a)	\$15,840,000 New Money & Refunding Obligations (b) (c) Wastewater Debt Service			Aggregate Total Debt Service	Estimated Debt Service Coverage
		Principal	Interest (d)	Total		
2013	\$ 4,531,393					
2014	4,091,797	\$1,145,000	\$287,100	\$1,432,100	\$1,432,100	3.16x
2015		1,205,000	367,375	1,572,375	1,572,375	2.60x
2016		675,000	337,250	1,012,250	1,012,250	4.04x
2017		555,000	320,375	875,375	875,375	4.67x
2018		1,280,000	306,500	1,586,500	1,586,500	2.58x
2019		1,315,000	274,500	1,589,500	1,589,500	2.57x
2020		1,345,000	241,625	1,586,625	1,586,625	2.58x
2021		1,380,000	208,000	1,588,000	1,588,000	2.58x
2022		1,415,000	173,500	1,588,500	1,588,500	2.58x
2023		1,450,000	138,125	1,588,125	1,588,125	2.58x
2024		1,490,000	101,875	1,591,875	1,591,875	2.57x
2025		1,525,000	64,625	1,589,625	1,589,625	2.57x
2026		1,060,000	26,500	1,086,500	1,086,500	3.77x
		<u>\$15,840,000</u>	<u>\$2,847,350</u>	<u>\$18,687,350</u>		

(a) Based on information provided by the City. See attached Historical & Projected Summary of the Wastewater Revenues & Expenses.

(b) Includes refunding the 2003 MPC Excise Tax Revenue Bonds and portions of the 2006 MPC Excise Tax Treatment Plant Improvements.

(c) Includes \$5 million deposit to the project fund.

(d) Interest is estimated.

FIRST TRUST AGREEMENT

by and between

[THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.???],
as Trustee

and

THE CITY OF BISBEE, ARIZONA

Dated as of June 1, 2018

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* * *

FIRST TRUST AGREEMENT

THIS FIRST TRUST AGREEMENT, dated as of June 1, 2018 (together with any duly authorized, executed and delivered supplement hereto, this "Trust Agreement"), by and between THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association authorized to exercise trust powers in the State of Arizona, as trustee, or any successor thereto acting as trustee pursuant to this Trust Agreement and in its capacity as "Seller" pursuant to the hereinafter described Purchase Agreement (the "Trustee"), and THE CITY OF BISBEE, ARIZONA, a municipal corporation under the laws of the State of Arizona (the "City"),

WITNESSETH:

WHEREAS, the Mayor and Council of the City have determined that it will be beneficial to the citizens of the City for the City to prepay the remaining outstanding amounts due pursuant to the Prior Obligations (as such term and all other terms not otherwise defined hereinabove are hereinafter defined) which was entered into for the purpose of financing and refinancing the costs of the Prior Projects; and

WHEREAS, for such purposes, the Mayor and the Council of the City requested that the Trustee sell and execute and deliver the Obligations, and the Trustee has, as described in this Trust Agreement, caused a deposit to be made to the Costs of Issuance Fund and amounts to be paid to the GADA Trustee as provided herein; and

WHEREAS, the City and the Trustee will enter into this Trust Agreement to facilitate the administration of the refinancing of the Prior Projects, and the Trustee has full legal authority and is duly empowered to enter into this Trust Agreement and has taken all actions necessary to authorize the execution and delivery hereof;

NOW, THEREFORE, in order to secure the payment of principal and interest (to the extent provided herein) related to the Obligations, the rights of the Owners of the Obligations and the performance and the observance of the covenants and conditions contained in the Obligations, the Purchase Agreement and herein, the City absolutely and irrevocably pledges and assigns to the Trustee, and the Trustee hereby declares an irrevocable trust and acknowledges its acceptance of all right, title and interest in and to the following described trust estate, which shall be administered by the Trustee according to the provisions of this Trust Agreement:

A. All right, title and interest of Seller in, under and pursuant to the Purchase Agreement, the Payments and any other amounts payable by the City under the Purchase Agreement and the present and continuing right to (i) make claim for, collect or cause to be collected, receive or cause to be received all such revenues, receipts and other sums of money payable or receivable thereunder, (ii) bring actions and proceedings thereunder or for the enforcement of such rights, and (iii) do any and all other things which the Trustee is or may become entitled to do thereunder;

B. Amounts on deposit from time to time in the funds created pursuant hereto, subject to the provisions of this Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein; and

C. Any and all other real or personal property of any kind from time to time hereafter by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for additional security hereunder for the Obligations, by Seller or by anyone on its behalf or with its written consent, in favor of the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof,

TO HAVE AND TO HOLD, all and singular, the trust estate, including all additional property which by the terms hereof has or may become subject to the encumbrance of this Trust Agreement, unto the Trustee and its successors and assigns, forever, subject, however, to the rights of the City, its successors and assigns, under the Purchase Agreement;

IN TRUST, however, for the equal and proportionate benefit and security of the Owners, from time to time of the Obligations, none of the Obligations being entitled to priority or distinction one over the other in the application of the Pledged Revenues pledged by the Purchase Agreement to the Payments, regardless of the delivery of any of the Obligations prior to the delivery of any other of the Obligations, or regardless of the time or times principal represented by any Obligations is paid or is subject to prepayment with respect to principal represented thereby, all of the Obligations being co-equal as to the pledge of and lien on the Pledged Revenues pledged for the Payments thereof and sharing ratably, without preference, priority or distinction, as to the source or method of payment from the Pledged Revenues or security therefor and conditioned, however, that if the City shall well and truly pay or cause to be paid fully and promptly when due all indebtedness, liabilities, obligations and sums at any time secured hereby, including interest and attorneys' fees, and shall promptly, faithfully and strictly keep, perform and observe or cause to be kept, performed and observed all of its covenants, warranties and agreements contained herein, this Trust Agreement shall be and become void and of no further force and effect; otherwise, the same shall remain in full force and effect, and upon the trust and subject to the covenants and conditions hereinafter set forth.

For such purposes, the City and the Trustee hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.1. Definitions

. In addition to the terms defined in the first paragraph hereof and in the Recitals hereto and in the Purchase Agreement and unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Trust Agreement, have the meanings herein specified.

“Additional Revenue Obligations” means any additional obligations which may hereafter be issued or incurred by the City (or any financing conduit acting on behalf of the City) having a lien upon and payable from the Pledged Revenues on a parity with, and in compliance with the terms of, the Purchase Agreement.

“Annual Debt Service” means the amount to be paid in any Fiscal Year with respect to the Parity Obligations for payment of principal and interest requirements.

“Authorized Officers” means officers of the Trustee authorized to provide Instructions; provided, however, that the City shall provide to the Trustee an incumbency certificate, listing Authorized Officers and containing specimen signatures of such officers, which incumbency certificate shall be amended by the City, whenever a person is to be added or deleted from the listing.

“Bond Year” means each one-year period beginning on the day after the expiration of the preceding Bond Year. The first Bond Year shall begin on the date of execution and delivery of the Obligations and shall end on the date selected by the City, provided that the first Bond Year shall not exceed one calendar year. The last Bond Year shall end on the date of payment of the Obligations.

“Bond Yield” means the discount rate indicated in the Tax Certificate, being the rate that produces a present value equal to the Issue Price of all unconditionally payable payments of principal, interest and fees for qualified guarantees within the meaning of Regulations section 1.148-4(f) and amounts reasonably expected to be paid as fees for qualified guarantees in connection with the Obligations as determined under Regulations section 1.148-4(b), recomputed if required by Regulations section 1.148-4(b)(4) or 4(h)(3). The present value of all such payments shall be computed as of the date of execution and delivery of the Obligations and using semiannual compounding on the basis of a 360-day year.

“Business Day” means any day of the week other than a Saturday, Sunday or a day which shall be in the State a legal holiday or a day on which the Trustee is authorized or obligated by law or executive order to close or a day on which the Federal Reserve is closed as modified by the effect of Section 9.6.

“Closing Date” means June ____, 2018.

“Code” means the Internal Revenue Code of 1986, as amended. References to the Code and sections thereof include applicable regulations and temporary regulations thereunder and any successor provisions to those sections, regulations or temporary regulations and any applicable regulations or temporary regulations issued pursuant to the Internal Revenue Code of 1954, as amended.

“Corporate Trust Office” means the office of the Trustee designated in Section 12.2 or any successor corporate trust office.

“Costs of Issuance Fund” means the fund of that name established pursuant to Article III hereof and held by the Trustee.

“Defaulted Interest” has the meaning provided in Section 2.10(d).

“Defeasance Obligations” means, to the extent permitted by law, (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”) or (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated or any combination thereof.

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to the City or the Trustee relating to the sale and execution and delivery of the Purchase Agreement, this Trust Agreement and the Obligations, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Obligations and charges and fees in connection with the foregoing.

“Depository Trustee” means any bank or trust company, which may include the Trustee, designated by the City, with a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by federal or State authority.

“Designated Office” means the office designated as such by the Trustee in writing to the City. The initial Designated Office shall be the Corporate Trust Office; provided that, for purposes of presentation of Obligations for payment or transfer, the Designated Office shall be the designated corporate trust operations or agency office of the Trustee.

“Electronic Means” means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

“electronically” or “electronic method” means with respect to notice, one transmitted through a timesharing terminal, computer network or facsimile machine, if operative as between any two parties, or if not operative, by telephone (promptly confirmed in writing).

“Event of Default” means an event of default under the Purchase Agreement as provided in Section 9 thereof.

“Excise Taxes” means the unrestricted transaction privilege and use tax, license and permit and franchise fees, user fees and charges and fines and forfeitures which the City imposes; provided that the Mayor and Council of the City may impose other transaction privilege taxes in the future, the uses of revenue from which will be restricted, at the discretion of such Council.

“Fiscal Year” means the fiscal year of the City, currently the period July 1 through June 30.

“Gross Proceeds” means:

(i) any amounts actually or constructively received by the City from the sale of the Obligations but excluding amounts used to pay accrued interest on the Obligations within one year of the date of issuance of the Obligations;

(ii) transferred proceeds of the Obligations under Regulations section 1.148-9;

(iii) any amounts actually or constructively received from investing amounts described in (i), (ii) or this (iii); and

(iv) replacement proceeds of the Obligations within the meaning of Regulations section 1.148-1(c). Replacement proceeds include amounts reasonably expected to be used directly or indirectly to pay debt service on the Obligations, pledged amounts where there is reasonable assurance that such amounts will be available to pay principal or interest on the Obligations in the event the City encounters financial difficulties and other replacement proceeds within the meaning of Regulations section 1.148-1(c)(4). Whether an amount is Gross Proceeds is determined without regard to whether the amount is held in any fund or account established under this Trust Agreement.

“Independent Counsel” means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the City or the Trustee and which may include the counsel giving a Special Counsel’s Opinion.

“Instructions” means instructions including funds transfer instructions given pursuant to this Trust Agreement and delivered using Electronic Means.

“Interest Payment Date” means each January 1 and July 1, while the principal represented by the Obligations are Outstanding provided that, pursuant to Section 9.6, if any such day is not a Business Day, any payment due on such date may be made on the next Business Day, without additional interest and with the same force and effect as if made on the specified date for such payment.

“Interest Portion” means the amounts of each of the Payments in the column in the Schedule attached to the Purchase Agreement designated “Interest,” denominated as and comprising interest pursuant to the Purchase Agreement and received by any Owner.

“Investment Property” means any security, obligation (other than a tax-exempt bond within the meaning of Code section 148(b)(3)(A)), annuity contract or investment-type property within the meaning of Regulations section 1.148-1(b).

“Issue Price” means the price determined as provided in Regulations section 1.148-1(b), initially \$____,000.00.

“Market Value” means the indicated bid value of the investment or investments to be valued as shown in The Wall Street Journal or any publication having general acceptance as a source of valuation of the same or similar types of securities or any securities pricing service available to or used by the Trustee (including brokers and dealers of securities) and generally recognized as a source of valuation on which the Trustee may conclusively, without liability.

“Maximum Annual Debt Service” means, for any Fiscal Year, the greatest Annual Debt Service for the then-current or any succeeding Fiscal Year.

“Nonpurpose Investment” means any Investment Property acquired with Gross Proceeds and which is not acquired to carry out the governmental purposes of the Obligations.

“Notification” shall have the meaning provided in Section 10.3.

“Obligations” means the Pledged Revenue Refunding Obligations, Series 2018, executed and delivered pursuant hereto.

“Outstanding” refers to Obligations issued in accordance with this Trust Agreement, excluding: (i) Obligations which have been replaced, or delivered to the Trustee for credit against a mandatory prepayment installment with respect to principal represented thereby; (ii) Obligations which have been paid; (iii) Obligations which have become due and for the payment of which moneys have been duly provided to the Trustee and (iv) Obligations for which there have been irrevocably set aside with a Depository Trustee sufficient moneys or obligations permitted hereby and by the Purchase Agreement bearing interest at such rates and with such maturities as will provide sufficient funds to pay the principal, interest and premium, if any, represented by such Obligations, provided, however, that if principal represented by any such Obligations is to be prepaid, the City shall have taken all action necessary to prepay such Obligations and notice of such prepayment shall have been duly mailed in accordance with the proceedings under which such Obligations were issued or irrevocable instructions so to give such notice shall have been given to the Trustee.

“Owner” or any similar term, when used with respect to an Obligation means ZB, N.A. or the entities described in Section 2.8.

“Parity Obligations” means the Purchase Agreement and any Additional Revenue Obligations.

“Payment Fund” means the fund by that name established pursuant to Article V hereof and held by the Trustee.

“Payments” means the Payments required to be paid by the City pursuant to Subsection 1(b) of the Purchase Agreement and as set forth in the Schedule to the Purchase

Agreement, as modified pursuant to the terms of the Purchase Agreement and subject to the provisions of Subsection 5.2(b).

“Permitted Investments” means any investment permitted by Section 35-323, Arizona Revised Statutes, including the following:

A. Direct obligations of, and obligations fully and unconditionally guaranteed as to timely payment by, the United States government and any agency, instrumentality, or establishment of the United States government ("Government Securities");

B. Commercial paper having, at the time of investment or contractual commitment to invest therein, a rating from Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services ("S&P"), of A1 and P1, respectively.

C. Repurchase and reverse repurchase agreements collateralized with Government Securities, including those of the Trustee or any of its affiliates.

D. Investment in money market mutual funds having a rating in the highest investment category granted thereby from S&P or Moody's, including those for which the Trustee or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise.

E. Bank deposit products, demand deposits, including interest bearing money market accounts, time deposits, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, and certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and the City, or bankers acceptances of depository institutions, including the Trustee or any of its affiliates, which are fully FDIC-insured.

“Pledged Revenues” means, collectively, the revenues from the Excise Taxes and the State Shared Revenues.

“Prior Obligations” means the City Lease, dated August 12, 2005, with the City of Bisbee Municipal Property Corporation and the Loan Agreements, dated May 2, 2005, and July 19, 2013, with the Water Infrastructure Finance Authority of Arizona.

“Prior Projects” means the projects which were financed and refinanced with proceeds of the Prior Obligations, consisting of certain utilities in and for the City.

“Purchase Agreement” means the First Purchase Agreement, dated as of June 1, 2018, by and between The Bank of New York Mellon Trust Company, N.A., as seller, and the City, as purchaser.

“Rebate Payment” means any payment within the meaning of Regulations section 1.148-3(d)(1) with respect to a Nonpurpose Investment.

“Rebate Requirement” means, for each Bond Year, at any time the excess of the future value of all Receipts over the future value of all Rebate Payments. For purposes of calculating the Rebate Requirement the Bond Yield shall be used to determine the future value of Receipts and Rebate Payments in accordance with Regulations section 1.148-3(c). The Rebate Requirement is zero for any Nonpurpose Investment meeting the requirements of a rebate exception under section 148(f)(4) of the Code or Regulations section 1.148-7.

“Receipt” means any receipt within the meaning of Regulations section 1.148-3(d)(2) with respect to a Nonpurpose Investment.

“Regular Record Date” means the close of business on the fifteenth day of the month preceding each Interest Payment Date.

“Regulations” means the sections 1.148-1 through 1.148-11 and section 1.150-1 of the regulations of the United States Department of the Treasury promulgated under the Code, including and any amendments thereto or successor regulations.

“Responsible Officer” means, when used with respect to the Trustee, the president, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any senior associate, any associate or any other officer of the Trustee within the Corporate Trust Office customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the Corporate Trust Office because of such person’s knowledge of and familiarity with the particular subject and having direct responsibility for the administration of this Trust Agreement.

“Special Counsel’s Opinion” means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the City.

“Special Record Date” has the meaning provided in Section 2.10(d).

“State” means the State of Arizona.

“State Shared Revenues” means revenues from any excise taxes, transaction privilege (sales) taxes and income taxes imposed by the State of Arizona or any agency thereof and returned, allocated or apportioned to the City, except the City’s share of any such taxes which by State law, rule or regulation must be expended for other purposes, such as motor vehicle fuel taxes.

“Tax Certificate” means the Certificate Relating To Federal Tax Matters executed and delivered by the City on the Closing Date.

“City Representative” means the City Manager, the City Finance Director or any other person authorized by the City Manager or the Mayor and Council of the City to act on behalf of the City with respect to this Trust Agreement.

Words importing persons include firms, associations and corporations, and the singular and plural forms of words shall be deemed interchangeable wherever appropriate.

Section 1.2. Interpretation.

(a) Any reference herein to the Mayor and Council of the City or any officer of the City shall include those succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

(b) Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa and the use of the neuter, masculine or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender.

(c) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof. References to “Articles” and “Sections” are to those in this Agreement.

Section 1.3. Obligations Not General Obligation of the City

. The Obligations shall be payable solely out of the revenues and other security pledged hereby and shall not constitute an indebtedness or general obligation of the City within the meaning of any State constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the City or be a charge against the City’s general credit or a charge against the general credit or the taxing powers of the State or any political subdivision thereof.

ARTICLE II
SPECIAL REVENUE OBLIGATIONS

Section 2.1. Authorization of the Obligations

. The Trustee is hereby authorized and directed to execute and deliver to the Owner, the Obligations, in the total principal amount of \$____,000, evidencing all of the ownership interests in the Payments. In no event shall the Obligations be deemed liabilities, debts or obligations of the Trustee.

Section 2.2. Date; Interest Accrual

. The Obligations shall be dated the Closing Date, and interest represented thereby shall be payable from such date or from the most recent Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Obligations.

Section 2.3. Payment Amounts and Dates and Interest Rates

. The Obligations shall be in the authorized denomination of the principal amount thereof Outstanding from time to time, and be payable on July 1, 20__, in the principal amount of \$_____,000, and interest represented by the Obligations shall be computed at the rate of _____ percent per annum from the Closing Date (on the basis of a 360-day year composed of twelve (12) months of thirty (30) days each).

Section 2.4. Interest on Obligations

. Interest represented by the Obligations shall be payable semiannually on January 1 and July 1 of each year commencing _____ 1, 20__, to and including the date of payment or prepayment of the amount of principal represented by the Obligations. Except for the initial period, said interest shall represent the portion of the Payments designated as interest and coming due during the six-month period preceding each Interest Payment Date with respect to the Obligations. The proportionate share of the portion of the Payments designated as interest with respect to the Obligations shall be computed by multiplying the portion of Payments designated as principal remaining with respect to the Obligations (whether paid as a result of mandatory prepayment or maturity) by _____ percent (on the basis of a 360-day year composed of twelve (12) months of thirty (30) days each), except that the first portion of the Payments designated as interest shall be for interest from the date of initial execution and delivery to _____ 1, 20__.

Section 2.5. Form

. The Obligations shall be in fully registered, physically certificated form, registered in the name of the Owner, substantially in the form set forth in the Exhibit hereto.

Section 2.6. Execution

. The Obligations shall be executed by and in the name of the Trustee by the manual signature of an authorized representative of the Trustee. If the representative whose signature appears on an Obligation ceases to be such representative before the Closing Date, such signature shall nevertheless be as effective as if the representative had remained in office until the Closing Date. Any Obligation may be executed on behalf of the Trustee by such person as at the actual date of the execution of such Obligation shall be the proper authorized representative of the Trustee although at the nominal date of such Obligation such person shall not have been such authorized representative of the Trustee. No Obligation shall be valid or become obligatory for any purpose or shall be entitled to any security or benefit under this Trust Agreement unless and until executed and delivered by the Trustee. The execution by the Trustee of any Obligation shall be conclusive evidence that the Obligation so executed has been duly authorized and delivered hereunder and is entitled to the security and benefit of this Trust Agreement.

Section 2.7. Application of Proceeds

. The proceeds received by the Trustee from the sale of the Obligations shall forthwith be applied by the Trustee as follows, in the following order of priority:

(1) \$ _____ shall be held in the "Prior Obligations Fund," which the Trustee shall establish as a special trust fund and which shall be closed upon the payment to _____ in the amount of \$ _____ and to _____ in the amount of \$ _____ on the Closing Date as prepayment of the Prior Obligations.

(2) The balance \$ _____ shall be deposited in the Costs of Issuance Fund.

Section 2.8. Transfer

(a) Any Obligation may, in accordance with its terms and this Section 2.8, be transferred upon the books required to be kept pursuant to the provisions of Section 2.12 hereof by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Obligation for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Obligation or Obligations shall be surrendered for transfer, the Trustee shall execute and deliver a new Obligation in fully registered form for the remaining aggregate principal amount. The Owner may at any time sell or otherwise transfer the Obligations, in whole, to (i) an affiliate of the Owner or (ii) a trust or other custodial arrangement established by the Owner or an affiliate of the Owner, the owners of any beneficial interest in which are limited to "Qualified Institutional Buyers" as defined in Rule 144A promulgated under the Securities Act of 1933, as amended. The Trustee shall have no responsibility in connection with any such transfer to confirm any of the foregoing.

(b) In connection with any such transfer of Obligations, the Owner requesting such transfer shall, as a condition precedent to the exercise of the privilege of making such transfer, remit to the Trustee an amount sufficient to pay any tax, or other governmental charge required to be paid, other than one imposed by the City, or any fee or expense of the Trustee or the City with respect to such transfer.

(c) The Trustee may, but shall not be obligated to, register the transfer of an Obligation (i) if principal represented by the Obligation is to be prepaid, or (ii) during a period of fifteen (15) days preceding the giving of a notice of prepayment. If an Obligation subject to such prepayment is to be so transferred, any notice of prepayment which has been given to the transferor shall be binding on the transferee and a copy of the notice of prepayment shall be delivered by the Trustee to the transferee along with the duly registered Obligation or Obligations.

Section 2.9. Obligations Mutilated, Lost, Destroyed or Stolen

If any Obligation shall become mutilated, the Trustee, at the expense of the Owner of said Obligation, shall execute and deliver a new Obligation for the remaining unpaid principal amount and substitution for the Obligation so mutilated, but only upon surrender to the Trustee of the Obligation so mutilated. Any mutilated Obligation so surrendered to the

Trustee shall be cancelled by it and redelivered to, or upon the order of, the Owner of such Obligation. If any Obligation shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and, if an indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner of such Obligation, shall execute and deliver a new Obligation for the remaining unpaid principal amount as the Trustee shall determine in lieu of and in substitution for the Obligation so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Obligation delivered under this Section and of the expenses which may be incurred by the Trustee in carrying out the duties under this Section. Any Obligation issued under the provisions of this Section in lieu of any Obligation alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other Obligations secured by this Trust Agreement. The Trustee shall not be required to treat both the original Obligation and any replacement Obligation as being Outstanding for the purpose of determining the principal amount of Obligation which may be executed and delivered hereunder or for the purpose of determining any percentage of Obligations Outstanding hereunder, but both the original and replacement Obligation shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Obligation for an Obligation which has been mutilated, lost, destroyed or stolen, and which has become due, the Trustee may make payment with respect to such Obligation upon receipt of the aforementioned indemnity.

Section 2.10. Payment.

(a) Payment of interest due related to the Obligations on any Interest Payment Date shall be made to the persons appearing on the registration books for the Obligations maintained by the Trustee as the Owners thereof as of the Regular Record Date immediately preceding such Interest Payment Date.

(b) The principal and interest related to the Obligations shall be payable in lawful money of the United States of America.

(c) Interest and principal payable to the Owners (except interest and principal due on July 1, 2026) shall be paid by wire transfer in immediately available funds to an account in the United States of America as directed on the Regular Record Date by the Owners specifying the account address without surrender of the Obligations except as set forth below. The notice may provide that it shall remain in effect for subsequent payments until otherwise requested in a subsequent written notice. Interest and principal payable to the Owners on July 1, 2027, shall be paid upon presentation of the Obligations at the Corporate Trust Office.

(d) Any interest related to the Obligations which is payable on, but is not punctually paid or duly provided for on, any Interest Payment Date (“Defaulted Interest”) shall forthwith cease to be payable to the Owners on the relevant Regular Record Date solely by virtue of such Owners having been such Owners. Such Defaulted Interest at the same rate as the Obligations shall thereupon be paid, together with interest thereon at the same rate per annum as such Defaulted Interest, by the Trustee (out of funds provided to it by the City) to the persons in whose name such Obligations are registered at the close of business on a special record date for the payment of such portion of Defaulted Interest as may then be paid from the sources herein provided (the “Special Record Date”). When the Trustee has funds available to pay the

Defaulted Interest and interest thereon, the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest and interest thereon which shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment by the Trustee. The Trustee shall promptly cause notice of the proposed payment of such Defaulted Interest and interest thereon and the Special Record Date therefor to be mailed, first class postage prepaid, to the Owners of the Obligations at their addresses as they appear in the registration books by the Trustee for the Obligations not less than ten (10) days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and interest thereon and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest and interest thereon shall be paid to the persons in whose name the Obligations are registered on such Special Record Date.

(e) In the event the Obligations are not presented for payment at maturity, if moneys sufficient to pay the principal and interest related to the Obligations have been deposited pursuant hereto for such payment, all liability to the Owners thereof for the payment thereof will forthwith cease and be completely discharged, and thereupon it will be the duty of the Trustee to hold such moneys as provided herein (subject to any escheat law), without liability for interest thereon, for the benefit of the Owners, who will thereafter be restricted exclusively to such moneys, for any claim of whatever nature on its part hereunder or on, or with respect to, the Obligations.

Section 2.11. Execution of Documents and Proof of Ownership.

(a) Any request, direction, consent, revocation of consent or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by the Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by the Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Obligations. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of the Obligations shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:

(1) The fact and date of the execution by any Owner or the attorney or agent thereof of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the persons signing such instruments acknowledged the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his authority.

(2) The fact of the ownership of the Obligations by any person and the amount, the payment date and the numbers of such Obligations and the date of his holding the same be proved on the registration books maintained pursuant to Section 2.12.

(b) Nothing contained in this Article II shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which the Trustee may deem sufficient. Any request or consent of the Owners of the Obligations shall bind every future Owner of the Obligations in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

Section 2.12. Obligation Register

The Trustee will keep or cause to be kept, at the Designated Office, sufficient books for the registration and transfer of the Obligations which shall at all times during regular business hours on any Business Day be open to inspection by the City and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the Obligations as hereinbefore provided.

ARTICLE III
APPLICATION OF PROCEEDS RECEIVED BY TRUSTEE;
COSTS OF ISSUANCE FUND

Section 3.1. Establishment and Application of Costs of Issuance Fund.

(a) The Trustee shall establish a special trust fund designated as the “City of Bisbee Series 2018 Costs of Issuance Fund” (herein referred to as the “Costs of Issuance Fund”), shall keep such fund separate and apart from all other funds and moneys held by it and shall administer such fund as provided in this Trust Agreement.

(b) Amounts in the Costs of Issuance Fund shall be disbursed for the payment of Delivery Costs. Disbursements from the Costs of Issuance Fund shall be made by the Trustee upon receipt of a requisition for disbursement (on which the Trustee is entitled to rely) executed or approved by the City Representative. Each such certificate shall set forth the amounts to be disbursed for payment, or reimbursement of previous payments, of Delivery Costs and the person or persons to whom said amounts are to be disbursed. The Trustee has no duty or obligation to confirm that such disbursements constitute Delivery Costs.

(c) On the earlier of December 1, 2018, or when all Delivery Costs associated with the Obligations have been paid (as shown by a certificate of a City Representative, if requested by the Trustee), the Trustee shall transfer any amounts remaining in the Costs of Issuance Fund to the Payment Fund and the Costs of Issuance Fund shall be closed.

ARTICLE IV
PREPAYMENT OF OBLIGATIONS

Section 4.1. Prepayment Provisions.

(a) Principal represented by the Obligations is subject to optional prepayment from prepayments made by the City pursuant to Section 7 of the Purchase

Agreement, in whole or in part, on any date at a price equal to the principal amount thereof to be prepaid, together with accrued interest to the date fixed for prepayment, but without premium.

(b) Principal represented by the Obligations shall be prepaid on July 1 of the years indicated and in the amounts indicated at a price equal to the amount thereof plus interest accrued to the date of prepayment, but without premium, with a final maturity amount of \$ ____,000 being paid on July 1, 20 __:

<u>Year Prepaid</u>	<u>Principal Amount Prepaid</u>
20__	\$ ____,000
20__	____,000
20__	____,000
20__	____,000
20__	____,000
20__	____,000
20__	____,000
20__	____,000

Section 4.2. Selection of Obligation for Prepayment

The City shall, at least forty-five (45) days prior to any optional prepayment date, notify the Trustee of such prepayment date of the Obligation.

Section 4.3. Notice of Prepayment; Effect.

(a) The Trustee shall cause notice of the optional prepayment hereunder to be transmitted electronically to the Owners of all of the Obligations at the addresses appearing in the registration books kept for such purpose pursuant to Section 2.12. Such notice shall (1) be sent no more than 60 nor less than 30 calendar days prior to the prepayment date, (2) specify with respect to the Obligations being prepaid the prepayment date and the prepayment price, (3) set forth the name, address and telephone number of the person from whom information pertaining to the prepayment may be obtained and (4) state that on the prepayment date the Obligations will be payable at the Designated Office and that from that date interest will cease to accrue. No defect affecting any Obligation, whether in the notice of prepayment or the delivery thereof (including any failure to mail such notice), shall affect the validity of the prepayment proceedings for any other Obligations.

(b) If at the time of giving of notice of the optional prepayment of principal represented by the Obligations, there has not been deposited with the Trustee moneys or Defeasance Obligations sufficient to prepay all Obligations subject to such prepayment and the requirements of (d) below are not satisfied, then such notice shall state that the prepayment is conditional upon the deposit of moneys or Defeasance Obligations sufficient for the prepayment with the Trustee and satisfaction of such requirements not later than the opening of business on the prepayment date, and such notice will be of no effect and such Obligations shall not be prepaid unless such moneys or Defeasance Obligations are so deposited and such requirements in (d) below are met.

(c) Notice having been provided in the manner provided in (b) above, the Obligations shall become due and payable on the prepayment date and shall be paid at the prepayment price, plus accrued interest to the prepayment date.

(d) If the money or Defeasance Obligations for the prepayment of the Obligations to be prepaid, together with interest accrued thereon to the prepayment date, is held by the Trustee on the prepayment date, so as to be available therefor on that date, then from and after the prepayment date such principal thereof to be prepaid shall cease to bear interest, and, the Obligations no longer shall be considered to be Outstanding hereunder. If those moneys shall not be so available on the prepayment date, such principal shall continue to bear interest, until paid, at the same rate as they would have borne otherwise.

(e) Moneys deposited in the Payment Fund and held by the Trustee for the prepayment of the Obligations shall be held in trust for the account of the Owners and shall be paid when due.

ARTICLE V PAYMENT FUND

Section 5.1. Trustee's Rights in Purchase Agreement

The Trustee holds in trust hereunder all of its rights and duties in the Purchase Agreement, including but not limited to all of the rights to receive and collect all of the Payments and all other amounts required to be deposited in the Payment Fund pursuant to the Purchase Agreement or pursuant hereto. All of the Payments and such other amounts to which the Seller may at any time be entitled shall be paid directly to the Trustee in trust, and all of the Payments collected or received by the Trustee shall be held by the Trustee in trust hereunder in the Payment Fund for the benefit of the Owners.

Section 5.2. Establishment and Application of Payment Fund.

(a) The Trustee shall establish a special trust fund designated as the "City of Bisbee Series 2018 Payment Fund" (herein referred to as the "Payment Fund"). So long as the Obligations are Outstanding, the City shall have no beneficial right or interest in the Payment Fund or the moneys deposited therein, except only as provided in this Trust Agreement, and such moneys shall be used and applied by the Trustee as hereinafter set forth.

(b) Not less than ten (10) Business Days prior to each Interest Payment Date, the Trustee shall notify the City of the amount required to be paid, after taking into account amounts which will be transferred to the Payment Fund in accordance herewith, on or before such Interest Payment Date, so that a sufficient amount will then be on deposit for both principal and interest represented by the Obligations then due. All amounts received by the Trustee as Payments pursuant to the Purchase Agreement or as transfers pursuant hereto shall be deposited in the Payment Fund.

(c) All amounts in the Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest represented by the Obligations as the same shall become due and payable, in accordance with the provisions of Articles II and IV.

Section 5.3. Transfers of Investment Earnings to Payment Fund

. Except as otherwise directed by the City, the Trustee shall, on or before the next Interest Payment Date occurring on July 1, transfer any income or profit on the investment of moneys in the funds hereunder to the Payment Fund.

Section 5.4. Surplus

. Any surplus remaining in any of the funds created hereunder, after prepayment and payment or provision for prepayment and payment of the Obligations, including accrued interest and prepayment premium, if any, and payment of any applicable fees, expenses or indemnities to the Trustee, or provision for such prepayment and payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the City.

ARTICLE VI
MONEYS IN FUNDS; INVESTMENT; CERTAIN TAX COVENANTS

Section 6.1. Held in Trust

. The moneys and investments held by the Trustee under this Trust Agreement are irrevocably held in trust for the benefit of the Owners of the Obligations and for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Trust Agreement and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the City or any Owners.

Section 6.2. Investments Authorized

. Upon written order of the City Representative, moneys held by the Trustee hereunder shall be invested and reinvested by the Trustee, to the maximum extent practicable in Permitted Investments. The City Representative shall direct such investment in specific Permitted Investments. The City Representative shall be solely responsible for ascertaining that all proposed investments and reinvestments are Permitted Investments and that they comply with federal, state and local laws, regulations and ordinances governing investment of such funds and for providing appropriate notice to the Trustee for the reinvestment of any maturing investment. Such investments, if registrable, shall be registered in the name of the Trustee and shall be held by the Trustee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment. The Trustee shall have no obligation to invest and reinvest any cash held by it hereunder in the absence of timely and specific written direction from the City Representative. In no event shall the Trustee be

liable for the selection of investments. The Trustee may conclusively rely upon such written direction from the City Representative as to both the suitability and legality of the directed investments. In the absence of investment instructions from the City, the Trustee shall hold moneys held by it hereunder uninvested. The City acknowledges that regulations of the Comptroller of the Currency grant the City the right to receive brokerage confirmations of the security transactions as they occur, at no additional cost. To the extent permitted by law, the City specifically waives compliance with 12 Code of Federal Regulations 12 and hereby notifies the Trustee that no brokerage confirmations need be sent relating to the security transactions as they occur.

Section 6.3. Accounting

. The Trustee shall furnish to the City, not less than semiannually, an accounting (which may be in the form of its customary statement) of all investments made by the Trustee. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 6.2.

Section 6.4. Allocation of Earnings

. Any income, profit or loss on such investments shall be deposited in or charged to the respective funds from which such investments were made, and any interest on any deposit of funds shall be deposited in the fund from which such deposit was made, except as otherwise provided herein. At the direction of the City Representative, any such income, profit or interest shall be transferred and applied if necessary to pay amounts due pursuant to section 148 of the Code.

Section 6.5. Valuation and Disposition of Investments

. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at Market Value. The Trustee may sell or present for redemption, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment.

Section 6.6. Limitation of Investment Yield

. In the event the City is of the opinion that it is necessary to restrict or limit the yield on the investment of any amounts paid to or held by the Trustee hereunder in order to avoid the Obligations, or any of them, being considered "arbitrage bonds" within the meaning of section 148 of the Code, the City Representative may issue to the Trustee a written certificate to such effect (along with appropriate instructions), in which event the Trustee will take such action as is instructed so to restrict or limit the yield on such investment in accordance with the specific instructions contained in such certificate.

Section 6.7. Other Tax Covenants

. In consideration of the acceptance and execution of the Purchase Agreement by the Trustee and the purchase by the Owners of the Obligations, and in consideration of retaining the exclusion of the portion of each Payment denominated as and comprising interest pursuant to the Purchase Agreement and received by the Owners of the Obligations for federal income tax purposes, the City shall, from time to time, neither take nor fail to take any action, which action or failure to act is within its power and authority and would result in such portion of each such Payment becoming subject to inclusion in gross income for federal income tax purposes under either laws existing on the date of execution of the Purchase Agreement or such laws as they may be modified or amended or tax laws later adopted. The City shall comply with such requirement(s) and will take any such action(s) as are necessary to prevent such portion of each such Payment from becoming subject to inclusion in gross income for federal income tax purposes. Such requirements may include but are not limited to making further specific covenants; making truthful certifications and representations and giving necessary assurances; complying with all representations, covenants and assurances contained in certificates or agreements required by any Special Counsel's Opinion; to pay to the United States of America any required amounts representing rebates of arbitrage profits relating to the Obligations; filing forms, statements and supporting documents as may be required under the federal tax laws; limiting the term of and yield on investments made with moneys held pursuant to this Trust Agreement and limiting the use of the proceeds of the Obligations and property refinanced thereby.

ARTICLE VII THE TRUSTEE

Section 7.1. Appointment of Trustee

. The City hereby authorizes and directs the Trustee to, and the Trustee shall, execute and deliver the Purchase Agreement, as Seller, and receive all moneys required to be deposited with the Trustee hereunder and shall allocate, use and apply the same as provided in this Trust Agreement. The City shall maintain as the Trustee a bank or trust company with a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000), and subject to supervision or examination by federal or State authority, so long as any of the Obligations are Outstanding. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Section 7.2. Liability of Trustee; Standard of Care

. Except with respect to its authority and power generally and authorization to execute this Trust Agreement, the recitals of facts, covenants and agreements herein, in the Purchase Agreement and in the Obligations shall be taken as statements, covenants and agreements of the City, and the Trustee assumes no responsibility for the correctness of the same, or makes any representations as to the validity hereof or sufficiency of this Trust Agreement, the Purchase Agreement or the Obligations or shall incur any responsibility in respect hereof or

thereof, other than in connection with the duties or obligations herein or in the Obligations assigned to or imposed upon it. Prior to the occurrence of an Event of Default, or after the timely cure of an Event of Default, the Trustee shall perform only such duties as are specifically set forth in this Trust Agreement and no implied obligations or covenants should be read into this Trust Agreement against the Trustee. After and during the occurrence of an Event of Default, the Trustee shall exercise such of the rights and powers vested in it, and use the same degree of care and skill in such exercise, as a prudent person would exercise under the circumstances in the conduct of its own affairs.

Section 7.3. Merger or Consolidation

. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 7.1, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 7.4. Protection and Rights of the Trustee.

(a) The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificates, statements, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Trust Agreement, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall not be bound to take any action at the request of the Owners unless the Obligations shall be deposited with the Trustee and satisfactory evidence of the ownership of such Obligations shall be furnished to the Trustee. The Trustee may consult with counsel with regard to legal questions, and the advice or opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith in accordance therewith.

(b) Whenever in the administration of its duties under this Trust Agreement, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) shall be deemed to be conclusively proved and established by the certificate of the City Representative and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions of this Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

(c) The Trustee may acquire and dispose of other bonds or evidence of indebtedness of the City with the same rights it would have if it were not the Trustee and may act as a depository for and permit any of its officers or directors to act as a member of, or in any

other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of the Obligations.

(d) The recitals, statements and representations by the City contained in this Trust Agreement, the Purchase Agreement or the Obligations shall be taken and construed as made by and on the part of the City and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.

(e) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent, or receiver selected by it with reasonable care. The Trustee shall not be answerable for the exercise of any discretion or power under this Trust Agreement or for anything whatever in connection with the funds and accounts established hereunder, except only for its own willful misconduct or negligence.

(f) No provision in this Trust Agreement shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability (including, without limitation, any and all environmental liability) in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not reasonably assured to it.

(g) The Trustee shall not be accountable for the use or application by the City or any other party of any funds which the Trustee has released in accordance with the terms of this Trust Agreement.

(h) The Trustee makes no representation or warranty, express or implied, as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City of the Prior Projects. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Purchase Agreement or this Trust Agreement for the acquisition of the Prior Projects.

(i) Notwithstanding any provision in this Trust Agreement or the Purchase Agreement to the contrary, the Trustee shall not be required to take notice or be deemed to have notice of an Event of Default, except an Event of Default under Section 9(a)(i)(A) of the Purchase Agreement, unless a Responsible Officer of the Trustee has actual notice thereof or is specifically notified in writing of such default by the City or the Owners of the Obligations.

(j) The Trustee shall have the right to accept and act upon Instructions. If the City elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively

presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

(k) The Trustee shall have no responsibility or liability with respect to any information, statements or recitals in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Obligations. In acting or omitting to act pursuant to the Purchase Agreement or any other documents executed in connection herewith or therewith, the Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under this Trust Agreement, including, but not limited to, this Article VII.

(l) The Trustee shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

(m) The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty, and the Trustee shall not be answerable for other than its negligence or willful default. The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the Prior Projects.

(n) Before taking any action under this Trust Agreement relating to an Event of Default or in connection with its duties under this Trust Agreement other than making payments of principal and interest represented by the Obligations as they become due, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances and except

liability which is adjudicated, to have resulted from its negligence or willful default in connection with any action so taken.

(o) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of the Obligations relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Trust Agreement.

Section 7.5. Compensation of Trustee

. The City shall from time to time, pursuant to a fee schedule agreed to between the City and the Trustee (which schedule may be amended in writing), pay to the Trustee reasonable compensation for its services, including but not limited to advances to, and reasonable fees and expenses of, independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties hereunder. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Section 7.6. Removal and Resignation of Trustee.

(a) The City (but only if no Event of Default has occurred and is continuing) or the Owners of the Obligations, at any time upon thirty (30) days' prior written notice, and for any reason, may remove the Trustee and any successor thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by federal or State authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or the requirements of any supervising or examining authority above referred to, then, for the purposes of this Section, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) The Trustee may at any time resign by giving written notice to the City. Upon receiving such notice of resignation, the City shall promptly appoint a successor trustee by an instrument in writing; provided, however, that in the event that the City does not appoint a successor trustee within thirty (30) days following receipt of such notice of resignation or its giving notice of removal, the retiring Trustee may petition the appropriate court having jurisdiction to appoint a successor trustee. Any resignation or removal of the Trustee and appointment of a successor trustee shall become effective upon acceptance of appointment by the successor trustee. The Trustee and the City shall execute any documents reasonably required to effect the transfer of rights and obligations of the Trustee to the successor trustee subject, however, to the terms and conditions herein set forth, including, without limitation, the right of the predecessor Trustee to be paid and reimbursed in full for its reasonable charges and expenses (including reasonable fees and expenses of its counsel) and the indemnification under Sections 7.4 and 10.3. Upon such acceptance, the successor trustee shall mail notice thereof to

the Owners of the Obligations at their addresses set forth on the registration books for the Obligations maintained pursuant to Section 2.12.

Section 7.7. Appointment of Agent

. The Trustee may appoint an agent or agents to exercise any of the powers, rights or remedies granted to the Trustee under this Trust Agreement and to hold title to property or to take any other action which may be desirable or necessary.

Section 7.8. Commingling

. The Trustee may commingle any of the funds held by it pursuant to this Trust Agreement in a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee hereunder shall be accounted for separately notwithstanding such commingling by the Trustee.

Section 7.9. Records

. The Trustee shall keep complete and accurate records of all moneys received and disbursed under this Trust Agreement, which shall be available for inspection by the City, or any of its agents, at any time, upon reasonable prior notice, during regular business hours. The Trustee shall provide the City Representative with semiannual reports of funds transactions and balances.

ARTICLE VIII
MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 8.1. Amendments Permitted.

(a) This Trust Agreement and the rights and obligations of the Owners of the Obligations and the Purchase Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental or amending agreement which shall become effective when the written consent of the Owners of a majority of the principal amount of Obligations Outstanding shall have been filed with the Trustee. No such modification or amendment shall (1) extend or have the effect of extending the final payment of principal represented by any Obligation or reducing the interest represented thereby or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the prepayment thereof, without the express written consent of the Owner of such Obligation, or (2) reduce or have the effect of reducing the percentage of Obligations required for the affirmative vote or written consent to an amendment or modification of this Trust Agreement or the Purchase Agreement, or (3) modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental or amending agreement shall become effective as provided in Section 8.2.

(b) This Trust Agreement and the rights and obligations of the Owners of the Obligations, and the Purchase Agreement and the rights and obligations of the parties

thereto, may be modified or amended at any time by a supplemental or amending agreement, without the consent of any such Owner, but only (1) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein reserved to the Trustee (for its own behalf) or the City, (2) to secure additional revenues or provide additional security or reserves for payment of the Obligations, (3) to comply with the requirements of any state or federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder, (4) to provide for the appointment of a successor trustee pursuant to the terms hereof, (5) to preserve the exclusion of interest represented by the Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the City to continue to issue bonds or incur other obligations the interest on which is likewise exempt from federal and State income taxes, (6) to cure, correct or supplement any ambiguous or defective provision contained herein or therein or (7) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which shall not materially adversely affect the interests of the Owners of the Obligations as evidenced by a Special Counsel's Opinion delivered by the City to the Trustee. Any such supplemental or amending agreement shall become effective upon execution and delivery by the parties hereto or thereto as the case may be. The Trustee may rely upon a Special Counsel's Opinion as conclusive evidence that any such supplemental or amending agreement is authorized or permitted under this Trust Agreement and complies with this Section or Section 8.2.

Section 8.2. Procedure for Amendment With Written Consent of Obligation

Owner.

(a) This Trust Agreement and the Purchase Agreement may be amended by supplemental or amending agreement as provided in this Section in the event the consent of the Owners of the Obligations is required pursuant to Section 8.1(a). A copy of such supplemental or amending agreement, together with a request to the Owners of a majority of the principal amount of the Obligations Outstanding for their consent thereto, shall be mailed by the Trustee to the Owners of the Obligations, but failure to mail copies of such supplemental or amending agreement and request shall not affect the validity of the supplemental or amending agreement when assented to as provided in this Section 8.2.

(b) Such supplemental or amending agreement shall not become effective unless there shall be filed with the Trustee the written consent of the Owners of a majority of the principal amount of Obligations Outstanding and a notice shall have been mailed as hereinafter in this Section provided. The consent of the Owners of the Obligations shall be effective only if accompanied by proof of ownership of the Obligations, which proof shall be such as is permitted by Section 2.11. Any such consent shall be binding upon the Owners and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owners or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

(c) After the Owners of a majority of the principal amount of Obligations Outstanding shall have filed their consent to such supplemental or amending

agreement, the Trustee shall mail a notice to the Owners of the Obligations in the manner hereinbefore provided in this Section for the mailing of such supplemental or amending agreement of the notice of adoption thereof, stating in substance that such supplemental or amending agreement has been consented to by the Owners of a majority of the principal amount of Obligations Outstanding and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by this Section to be filed with the Trustee, shall be conclusive proof of the matters therein stated. Such supplemental or amending agreement shall become effective upon the mailing of such last-mentioned notice, and such supplemental or amending agreement shall be deemed conclusively binding upon the parties hereto and the Owners of all the Obligations after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within sixty (60) days.

Section 8.3. Effect of Supplemental Trust Agreement

. From and after the time any supplemental or amending agreement becomes effective pursuant to this Article VIII, this Trust Agreement or the Purchase Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Obligations Outstanding, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental or amending agreement shall be deemed to be part of the terms and conditions of this Trust Agreement or the Purchase Agreement, as the case may be, for any and all purposes.

Section 8.4. Endorsement or Replacement of Obligation Delivered After Amendments

. The Trustee may determine that Obligations delivered after the effective date of any action taken as provided in this Article shall bear a notation, by endorsement or otherwise, in form approved by the Trustee, as to such action. In that case, upon demand of the Owner of any Obligation Outstanding at such effective date and presentation of the affected Obligation for such purpose at the office of the Trustee, a suitable notation shall be made on such Obligation. The Trustee may determine that the delivery of substitute Obligations, so modified as in the opinion of the Trustee is necessary to conform to the Obligation Owners' action, which substitute Obligations shall thereupon be prepared, executed and delivered. In that case, upon demand of the Owner of any Obligation then Outstanding, such substitute Obligation shall be exchanged at the Designated Office of the Trustee, without cost to the Owner, for an Obligation of the same character then Outstanding, upon surrender of such Outstanding Obligation.

Section 8.5. Amendatory Endorsement of Obligations

. The provisions of this Article shall not prevent any Obligation Owner from accepting any amendment or supplement as to the particular Obligations, provided that proper notation thereof is made on the Obligations.

ARTICLE IX
COVENANTS, NOTICES

Section 9.1. Compliance With and Enforcement of Purchase Agreement

. The City shall perform all obligations and duties imposed on it under the Purchase Agreement and shall not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be an Event of Default. The City, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting any such action will deliver the same, or a copy thereof, to the Trustee.

Section 9.2. Observance of Laws and Regulations

. The City shall well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the City, including its right to exist and carry on business as a political subdivision, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 9.3. Recordation and Filing

. The City shall file this Trust Agreement (or a memorandum thereof or a financing statement with respect thereto), and all such documents as may be required by law (and shall take all further actions which may be necessary or be reasonably required by the Trustee which has no duty to so require), all in such manner, at such times and in such places as may be required by law in order fully to preserve, protect and perfect the security of the Trustee and the Owner. The Trustee has no duty or obligation to determine the sufficiency of any such filings.

Section 9.4. Further Assurances

. The Trustee (at the reasonable request of the City) and the City shall make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Trust Agreement and the Purchase Agreement and for the better assuring and confirming unto the Owner the rights and benefits provided herein.

Section 9.5. Business Days

. Except as otherwise required herein, if this Trust Agreement or the Purchase Agreement requires any party to act on a specific day and such day is not a Business Day, such party need not perform such act until the next succeeding Business Day, and such act shall be deemed to have been performed on the day required.

ARTICLE X
LIMITATION OF LIABILITY

Section 10.1. Limited Liability of the City

. Except for the payment of Payments from the Pledged Revenues when due in accordance with the Purchase Agreement and the performance of the other covenants and agreements of the City contained in the Purchase Agreement and herein, the City shall have no pecuniary obligation or liability to any of the other parties or to the Owners with respect to this Trust Agreement or the terms, execution, delivery or transfer of the Obligations or the distribution of Payments to the Owners by the Trustee.

Section 10.2. No Liability of the City for Trustee Performance

. The City shall have no obligation or liability to any of the other parties or to the Owners with respect to the performance by the Trustee of any duty imposed upon it under this Trust Agreement.

Section 10.3. Indemnification of the Trustee.

(a) To the extent permitted by law, the City shall indemnify and save the Trustee and its officers, directors, agents and employees, harmless for, from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of: (1) the use, maintenance, condition or management of, or from any work or thing done on, the Prior Projects or any portion thereof or interest therein by the City; (2) any breach or default on the part of the City in the performance of any of its obligations under this Trust Agreement and any other agreement made and entered into for purposes of the Prior Projects or any interest therein; (3) any act of negligence of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Prior Projects; (4) any act of negligence of any assignee of, or purchaser from, the City or of any of its or their agents, contractors, servants, employees or licensees with respect to the Prior Projects; (5) the acquisition of the Prior Projects or any interest therein; (6) the actions of any other party, including but not limited to the operation or use of the Prior Projects or interest therein by the City; (7) the ownership of the Prior Projects or interest therein or (8) the exercise and performance by the Trustee of its powers and duties hereunder, under the Purchase Agreement or the Obligations or in connection with any document or transaction contemplated herewith or therewith. No indemnification will be made under this Section or elsewhere in this Trust Agreement for willful misconduct or negligence under this Trust Agreement by the Trustee, or by its officers, agents, employees, successors or assigns. As security for the payment of amounts due under Section 7.5 and this Section, the Trustee shall be secured under this Trust Agreement by a lien prior to that for the Obligations. The obligations of the City hereunder for indemnification under this Section shall remain valid and binding notwithstanding, and shall survive, the payment or prepayment of principal represented by the Obligations or resignation or removal of the Trustee or the termination of this Trust Agreement.

(b) Promptly after determining that any event or condition which requires or may require indemnification by the City hereunder exists or may exist, or after receipt

of notice of the commencement of any action in respect of which indemnity may be sought hereunder, the Trustee shall notify the City in writing of such circumstances or action (the "Notification"). Failure to give such notification shall not affect the right of the Trustee to receive the indemnification provided for herewith. Upon giving of the Notification, the Trustee shall cooperate fully with the City in order that the City may defend, compromise or settle any such matters or actions which may result in payment by the City hereunder. The City shall give the Trustee notice of its election within fifteen (15) days after receiving the Notification whether the City, at its sole cost and expense, shall represent and defend the Trustee in any claim or action which may result in a request for indemnification hereunder; provided, however the Trustee may retain its own counsel and still be indemnified against the cost of employing counsel and all other reasonable expenses despite an assumption of the defense by the City if the Trustee believes in good faith that there are defenses available to it which are adverse to or in conflict with those available to the City and which the Trustee believes in good faith cannot be effectively asserted by common counsel. The Trustee always has the right to employ separate legal counsel but, subject to the preceding sentence, the fees and expenses of its separate legal counsel must be paid by the Trustee unless the City and the Trustee have mutually agreed to the employment of the Trustee's separate legal counsel. If the City timely gives the notice that it will represent and defend the Trustee thereafter, the Trustee shall not settle or compromise or otherwise interfere with the defense or undertakings of the City hereunder. The City shall not settle or compromise any claim or action against the Trustee without the written approval of the Trustee, except to the extent that the City shall pay all losses and the Trustee shall be fully released from such claim or action. If the City either fails to timely give its notice or notifies the Trustee that the City will not represent and defend the Trustee, the Trustee may defend, settle, compromise or admit liability as it shall determine in the reasonable exercise of its discretion, at the expense of the City. In the event the City is required to and does indemnify the Trustee as herein provided, the rights of the City shall be subrogated to the rights of the Trustee to recover such losses or damages from any other person or entity.

Section 10.4. Opinion of Counsel

. Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee, which opinion shall be made available to the other parties hereto upon request, or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, the Trustee shall be absolutely protected in relying thereon.

ARTICLE XI EVENTS OF DEFAULT AND REMEDIES OF OBLIGATION OWNERS

Section 11.1. Seller's Rights Held in Trust

. As provided herein, the Trustee holds in trust hereunder all of the Seller's rights in and to the Purchase Agreement, including without limitation all of the Seller's rights to exercise such rights and remedies conferred on the Seller pursuant to the Purchase Agreement as may be necessary or convenient to enforce payment of the Payments and any other amounts

required to be deposited in the Payment Fund and enforcement of the pledge of the Pledged Revenues for the payment of the Obligations.

Section 11.2. Remedies Upon Default; No Acceleration

. If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may, or upon request of the Owners of a majority of the principal amount of Obligations Outstanding and receiving indemnity satisfactory to it shall, exercise one or more of the remedies granted pursuant to the Purchase Agreement; provided, however, that notwithstanding anything herein or in the Purchase Agreement to the contrary, there shall be no right under any circumstances to accelerate the payment date of the Obligations or otherwise to declare any of the Payments not then past due or in default to be immediately due and payable.

Section 11.3. Application of Funds

. All moneys received by the Trustee pursuant to any right given or action taken pursuant to the provisions of this Article XI or Section 9 of the Purchase Agreement or previously held hereunder shall be applied by the Trustee in the order following, in the case of the Obligations, upon presentation of the several Obligations, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee and then of the Owners in declaring such Event of Default, including reasonable compensation to the Owners' or the Trustee's agents, attorneys and counsel and

Second, to the payment of the whole amount then owing and unpaid with respect to the Obligations and, in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Obligations, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Section 11.4. Institution of Legal Proceedings

. If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority of the principal amount of Obligations Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of the Obligations by a suit in equity or action at law for the specific performance of any covenant or agreement contained herein.

Section 11.5. Non-waiver

. Except as otherwise provided in this Article, the Owners have the right to institute suit to enforce and collect the Payments as provided in the Purchase Agreement. No delay or omission of the Trustee or of any Owners of any of the Obligations to exercise any right

or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article to the Trustee or the Owners of the Obligations may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owners of the Obligations.

Section 11.6. Power of Trustee to Control Proceedings

. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of the Obligations, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Obligations, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, without the consent of the Owners.

Section 11.7. Limitation on Obligation Owners' Right to Sue.

(a) The Owners shall not have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Trust Agreement, unless (1) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (2) the Owners of a majority of the principal amount of Obligations Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (3) such Owner shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses, and liabilities to be incurred in compliance with such request and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

(b) Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owners of Obligations of any remedy hereunder; it being understood and intended that no one or more Owners of Obligations shall have any right in any manner whatever by its action to enforce any right under this Trust Agreement, except in the manner herein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner herein provided and for the equal and proportionate benefit of all Owners of the Outstanding Obligations.

(c) The right of the Owners to receive payment of said Owners' proportionate interest in the Payments as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owners, notwithstanding the foregoing provisions of this Section or any other provision of this Trust Agreement.

ARTICLE XII
MISCELLANEOUS

Section 12.1. Defeasance.

(a) If and when the Obligations shall be paid and discharged in any one or more of the following ways:

(1) By paying or causing to be paid the principal and interest represented by such Obligations Outstanding, as and when the same become due and payable;

(2) By depositing with a Depository Trustee, in trust for such purpose, at or before the payment date therefor, money which, together with the amounts then on deposit in the Payment Fund is fully sufficient to pay or cause to be paid all principal and interest represented by such Obligations Outstanding; or

(3) By depositing with a Depository Trustee, in trust for such purpose, Defeasance Obligations which are noncallable in such amount as shall be certified to the Trustee and the City in a report by an independent firm of nationally recognized certified public accountants acceptable to the Trustee and the City, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit in the Payment Fund together with the interest to accrue thereon, to pay and discharge or cause to be paid and discharged all principal and interest represented by the Obligations at the payment or prepayment dates, which deposit may be made in accordance with the provisions of Section 7 of the Purchase Agreement;

notwithstanding that any Obligations shall not have been surrendered for payment, all obligations of the Trustee and the City with respect to such Outstanding Obligations shall cease and terminate, except only the obligation of the City to indemnify the Trustee under Section 10.5 and the obligation of the Trustee to pay or cause to be paid, from funds deposited pursuant to subsections (2) or (3) of this Section and paid to the Trustee by the Depository Trustee, to the Owners of the Obligations not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to subsections (2) or (3), the Obligations shall continue to represent direct and proportionate interests of the Owners thereof in such funds.

(b) Any funds held by the Trustee, at the time of one of the events described in paragraph (a) of this Section, which are not required for the payment to be made to the Owners or for the payment of any other amounts due and payable by the City hereunder or under the Purchase Agreement, shall be paid over to the City.

(c) The Obligations may be paid and discharged as provided in this Section; provided however, that if principal represented by the Obligations is to be prepaid, notice of such prepayment shall have been given in accordance with the provisions hereof or the City shall have submitted to the Trustee instructions to be irrevocable as to the date upon which the Obligations are to be prepaid and as to the giving of notice of such prepayment; and provided further, that if the Obligations will not be payable within sixty (60) days of the deposit referred to in subsections (2) or (3) of this Section, the Trustee shall give notice of such deposit by first class mail to the Owners.

(d) No Obligations may be provided for as described in this Section if, as a result thereof, or of any other action in connection with which the provisions for payment of such Obligation is made, the interest payable on the Obligation is thereby made includable in gross income for federal income tax purposes. The Trustee, the Depository Trustee and the City may rely upon a Special Counsel's Opinion to the effect that the provisions of this Subsection will not be breached by so providing for the payment of any Obligations.

Section 12.2. Notices

All written notices to be given under this Trust Agreement shall be given by overnight delivery or courier or by mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective upon deposit in the United States of America mail, postage prepaid or, in the case of personal delivery, upon delivery to the address set forth below:

If to the City: City of Bisbee, Arizona
118 Arizona Street
Bisbee, Arizona 85603
Attention: Finance Director

If to the Trustee: The Bank of New York Mellon Trust Company, N.A.
919 Congress Avenue, Suite 500
Austin, Texas 78701
Attention: Global Corporate Trust Services

Section 12.3. Incorporation of State Statutes.

(a) As required by the provisions of Section 38-511, Arizona Revised Statutes, notice is hereby given that the City may, within three years after its execution, cancel any contract, without penalty or further obligation, made by the City if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City is, at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. The cancellation shall be effective when written notice is received by all other parties to the contract unless the notice specifies a later time. No basis exists for the City to cancel this Trust Agreement pursuant to Section 38-511, Arizona Revised Statutes, as of the date hereof.

(b) To the extent applicable under Section 41-4401, Arizona Revised Statutes, the Trustee shall comply with all federal immigration laws and regulations that relate to its employees and its compliance with the "e-verify" requirements under Section 23-214(A), Arizona Revised Statutes. The breach by the Trustee of the foregoing shall be deemed a material breach of this Trust Agreement and may result in the termination of the services of the Trustee. The City retains the legal right to randomly inspect the papers and records of the Trustee to ensure that the Trustee is complying with the above-mentioned warranty. The Trustee shall keep such papers and records open for random inspection during normal business hours by the Trustee. The Trustee shall cooperate with the random inspections by the City including granting the City

entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential. The City shall preserve the confidentiality of any information, records or papers the City views, accesses or otherwise obtains during any and every such random inspection, including, without limitation, such information.

(c) Pursuant to Section 35-393 et seq., Arizona Revised Statutes, the Trustee hereby certifies it is not currently engaged in, and for the duration of this Agreement shall not engage in, a boycott of Israel. The term “boycott” has the meaning set forth in Section 35-393, Arizona Revised Statutes. If the City determines that the Trustee’s certification above is false or that it has breached such agreement, the City may impose remedies as provided by law.

Section 12.4. Governing Law

. This Trust Agreement shall be construed and governed in accordance with the laws of the State.

Section 12.5. Binding Effect and Successors

. This Trust Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Whenever in this Trust Agreement either the City or the Trustee is named or referred to, such reference shall be deemed to include successors or assigns thereof, and all the covenants and agreements in this Trust Agreement contained by or on behalf of the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 12.6. Execution in Counterparts

. This Trust Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Trust Agreement.

Section 12.7. Destruction of Cancelled Obligations

. Whenever in this Trust Agreement provision is made for the surrender to or cancellation by the Trustee and the delivery to the City of the Obligations, the Trustee may destroy such Obligations and, upon the City’s request, deliver a certificate of such destruction to the City instead.

Section 12.8. Headings

. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Trust Agreement. All references herein to “Articles,” “Sections,” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Trust Agreement; and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 12.9. Parties Interested Herein

. Nothing in this Trust Agreement or the Obligations, expressed or implied, is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the City, the Trustee and the Owner, any legal or equitable right, remedy or claim under or by reason of this Trust Agreement or any covenant, condition or stipulation hereof, and all covenants, stipulations, provisions and agreements in this Trust Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Trustee and the Owners of the Obligations.

Section 12.10. Waiver of Notice

. Whenever in this Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 12.11. Severability of Invalid Provisions

. In case any one or more of the provisions contained in this Trust Agreement or in the Obligations shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Trust Agreement, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Trust Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Obligations pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Trust Agreement may be held illegal, invalid or unenforceable.

[Remainder of page left blank intentionally.]

IN WITNESS WHEREOF, the parties have executed this Trust Agreement as of the day and year first above written.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By.....

Printed Name:

Title:.....

CITY OF BISBEE, ARIZONA

By.....

Mayor

ATTEST:

.....
City Clerk

EXHIBIT

(Form of Obligation)

THIS OBLIGATION MAY ONLY BE TRANSFERRED BY THE REGISTERED OWNER HEREOF IN ACCORDANCE WITH THE TRANSFER RESTRICTIONS SET FORTH IN ARTICLE II OF THE HEREINAFTER DEFINED TRUST AGREEMENT

Number: R-.....

Principal Amount: \$.....

PLEDGED REVENUE REFUNDING OBLIGATION, SERIES 2018
Evidencing the Interest of the Owner
Hereof in Payments to be Made by

THE CITY OF BISBEE, ARIZONA

to

.....
as Trustee

Interest Rate: Maturity Date: Dated Date:
_____ % July 1, 20__ June _____, 2018

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

The registered owner identified above, or registered assigns, as the registered owner of this Pledged Revenue Refunding Obligation, Series 2018 (this "Obligation") is the owner of all of the interests in the rights to receive certain "Payments" under and defined in that certain First Purchase Agreement, dated as of June 1, 2018 (the "Purchase Agreement"), by and between (the "Trustee"), and the City of Bisbee, Arizona, a municipal corporation under the laws of the State of Arizona (the "City"), which Payments and other rights and interests under the Purchase Agreement are held by the Trustee in trust under that certain First Trust Agreement, dated as of June 1, 2018 (the "Trust Agreement"), by and between the City and the Trustee. The Trustee maintains a corporate trust office for payment and transfer of this Obligation (the "Designated Office").

The registered owner of this Obligation is entitled to receive, subject to the terms of the Purchase Agreement, on the payment date set forth above, the principal amount hereof and to receive semiannually on January 1 and July 1 of each year commencing _____ 1, 20__ (the "Interest Payment Dates"), until payment in full of the portion of the Payments designated principal or prepayment prior thereto, the portion of the Payments designated as interest coming due during the period commencing on the last date on which interest was paid and ending on the

day prior to the Interest Payment Date or, if no interest has been paid, from the Dated Date specified above. Said interest is the result of the multiplication of said principal by the interest rate per annum set forth above. Interest shall be calculated on the basis of a 360-day year composed of twelve (12) months of thirty (30) days each.

Principal and interest represented by this Obligation are payable in lawful money of the United States of America as provided in the Trust Agreement and the other amounts due with respect hereto. The records of the Trustee prevail in the event of discrepancy as to payment.

The Trustee has no obligation or liability to the registered owner of this Obligation for the payment of interest or principal represented by this Obligation. The Trustee's sole obligations are to administer, for the benefit of the registered owner of this Obligation, the various funds and accounts established pursuant to the Trust Agreement. (The recitals, statements, covenants and representations made in this Obligation shall be taken and construed as made by and on the part of the City, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.)

This Obligation has been executed and delivered by the Trustee pursuant to the terms of, and for the purposes described in, the Trust Agreement. The City is authorized to enter into the Purchase Agreement and the Trust Agreement under the laws of the State of Arizona and by resolution of the Mayor and Council of the City adopted on June 1, 2018. Reference is hereby made to the Purchase Agreement and the Trust Agreement (copies of which are on file at the Designated Office) for further definitions, the terms, covenants and provisions pursuant to which this Obligation is delivered, the rights thereunder of the registered owner of this Obligation, the terms under which the Trust Agreement or the Purchase Agreement may be modified or supplemented, the rights, duties and immunities of the Trustee and the security for, and the rights and obligations of the City under the Purchase Agreement (including with respect to certain obligations secured on a senior lien basis by, and to be secured on a parity lien basis with, the security for the Payments and to certain limitations on such security), to all of the provisions of which Purchase Agreement and Trust Agreement the registered owner of this Obligation, by acceptance hereof, assents and agrees. (To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement and the Purchase Agreement may be amended by the parties thereto with the written consent of the owners of a majority of the obligations of which this Obligation is one (the "Obligations"), and may be amended without such consent under certain circumstances but in no event such that the interests of the owners of the Obligations are adversely affected, provided that no such amendment shall impair the right of any owner to receive in any case such owner's proportionate share of any Payment thereof in accordance with this Obligation.)

The obligation of the City to make the Payments does not represent or constitute a general obligation of the City for which the City is obligated to levy or pledge any form of taxation nor does the obligation to make the Payments under the Purchase Agreement constitute an indebtedness of the City, the State of Arizona or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction or otherwise.

Neither the Trustee nor the registered owners of the Obligations shall have any right under any circumstances to accelerate the payment date of the Obligations or otherwise

declare any of the Payments not then past due or in default to be immediately due and payable; however, the amount of each of the Payments denominated as and comprising interest shall be calculated at the Default Rate. (This Obligation represents an interest in a limited obligation of the City (as described herein), and no member of the Mayor and Council, officer or agent, as such, past, present or future, of the City shall be personally liable for the payment hereof.)

This Obligation is executed and delivered only in fully registered, physically certificated form and shall not be transferable or exchangeable, except as provided in the Trust Agreement.

This Obligation is transferable by the registered owner hereof, in person or by his attorney duly authorized in writing, at the Designated Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement and upon surrender and cancellation of this Obligation. Upon such transfer a new Obligation, for the principal amount remaining payable at maturity will be delivered to the transferee in exchange therefor. The City and the Trustee may treat the registered owner hereof as the absolute owner hereof for all purposes, whether or not this Obligation shall be overdue, and the City and the Trustee shall not be affected by any notice to the contrary.

The Trustee may require a registered owner, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes or governmental charges required by law in connection with the exchange or transfer.

The Trustee may, but shall not be obligated to, register the transfer of this Obligation (i) if this Obligation has been selected for prepayment, or (ii) during a period of fifteen (15) days preceding the giving of a notice of prepayment. If this Obligation is so transferred, any notice of prepayment which has been given to the transferor shall be binding on the transferee, and a copy of the notice of prepayment shall be delivered by the Trustee to the transferee along with the duly registered Obligation.

The registered owner of this Obligation shall have no right to enforce the provisions of the Trust Agreement or the Purchase Agreement or to institute any action to enforce the covenants thereof, or to take any action with respect to a default thereunder or hereunder, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Trust Agreement.

Principal represented by the Obligation is subject to optional prepayment in whole or in part, on any date at a price equal to the principal amount to be prepaid, together with accrued interest to the date fixed for prepayment but without premium.

Principal represented by this Obligation shall be prepaid on July 1 of the years indicated and in the principal amounts indicated at a price equal to the amount thereof plus interest accrued to the date of prepayment, but without premium with a final maturity amount of \$____,000 being paid on July 1, 20____:

Year Prepaid	Principal Amount Prepaid
20__	\$____,000
20__	____,000
20__	____,000
20__	____,000
20__	____,000
20__	____,000
20__	____,000
20__	____,000
20__	____,000

The Trustee shall give notice of any optional prepayment of this Obligation as provided above no more than 60 nor less than 30 calendar days prior to the prepayment date to the registered owner at its address provided to the Trustee. A certificate of the Trustee shall conclusively establish the mailing of any such notice for all purposes.

If at the time of mailing of the notice of prepayment there has not been deposited with the Trustee moneys or eligible securities sufficient to prepay and other requirements set forth in the Trust Agreement are not met, such notice shall state that it is conditional, subject to the deposit of moneys sufficient for the prepayment and satisfaction of such conditions. If the principal of the Obligations is subject to prepayment and if on the prepayment date moneys for the prepayment thereof are held by the Trustee and those other conditions are met, thereafter such principal to be prepaid shall cease to bear interest, and shall cease to be secured by, and shall not be deemed to be outstanding under, the Trust Agreement. The failure to receive any notice of prepayment, or any defect in such notice in respect of any Obligation, shall not affect the validity of prepayment of any Obligation.

It is hereby certified, recited and declared that all conditions, acts and things required by the Constitution and laws of the State of Arizona to happen, to be done, to exist and to be performed precedent to and in the execution and delivery of this Obligation have happened, have been done, do exist and have been performed in regular and due form and time as required by law.

This Obligation shall not be entitled to any security or benefit under the Trust Agreement until executed by the Trustee.

IN WITNESS WHEREOF, this Obligation has been executed and delivered by the Trustee, acting pursuant to the Trust Agreement.

Date of Execution:

....., as Trustee

By.....
Authorized Representative

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned (the "Transferor"), hereby sells, assigns and transfers unto (the "Transferee"), whose address is and whose social security number (or other federal tax identification number) is

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF TRANSFEREE

.....
.....

the within certificate and all rights thereunder, and hereby irrevocably constitutes and appoints as attorney to register the transfer of the within certificate on the books kept for registration and registration of transfer thereof, with full power of substitution in the premises.

Date:

SIGNATURE(S) GUARANTEED BY:

.....
Firm or Bank

.....
Authorized Signature

Signature(s) guaranteed by a guarantor institution participating in the Securities Transfer Agents Medallion Program or other guarantee program acceptable to the Trustee or Registrar

.....
NOTICE: No transfer will be registered and no new certificate will be issued in the name of the Transferee, unless that signature(s) to this assignment correspond(s) with the name as it appears on the face of the within certificate in every particular, without alteration or enlargement or any change whatever and name, address and the Social Security Number or federal employee identification number of the Transferee is supplied

The following abbreviations when used in the inscription on the face of the within certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

- TEN COM - as tenants in common
- TEN ENT - as tenants by the entireties
- JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT/TRANS MIN ACT - Custodian for
(Cust.) (Minor)

under Uniform Gifts/Transfers to Minors Act of
(State)

Additional abbreviations may also be used though not in list above.

PLACEMENT AGENT AGREEMENT

June _____, 2018

Mayor and Common Council
City of Bisbee, Arizona

Re: City of Bisbee, Arizona Pledged Revenue Refunding Obligation, Series 2018

Upon the terms and conditions and based upon the representations, warranties and covenants set forth herein, Stifel, Nicolaus & Company, Incorporated (the "Placement Agent") offers to enter into this Placement Agent Agreement (this "Agreement") with the City of Bisbee, Arizona (the "Issuer"), which, upon acceptance of this offer, shall be binding upon the Issuer and the Placement Agent. This offer is made subject to acceptance of this Agreement by the Issuer before or on June _____, 2018, and, if not so accepted, will be subject to withdrawal by the Placement Agent upon notice delivered to your office at any time prior to acceptance hereof. If the obligations of the Placement Agent shall be terminated for any reason permitted hereby, neither the Placement Agent nor the Issuer shall, except as otherwise permitted hereunder, be under further obligation hereunder.

The above-captioned Obligation (the "Obligation") is to be executed and delivered pursuant to a Resolution of the Mayor and Common Council of the Issuer adopted on May 29, 2018 (the "Resolution" and the hereinafter defined Trust Agreement).

1. Purchase, Sale and Delivery of Obligation. On the basis of the representations and agreements contained herein, but subject to the terms and conditions herein set forth, the Placement Agent agrees, on a best efforts basis, to locate a purchaser for the Obligation (the "Purchaser") at a purchase price equal to the principal amount thereof (the "Purchase Price") and on terms consistent with the Resolution. The maturities, principal amounts, interest rates and other terms and conditions of the Obligation shall be as set forth in the Trust Agreement.

For its services hereunder, and upon payment of the Purchase Price by the Purchaser to the Issuer (the date of such payment herein, the "Closing Date"), the Placement Agent shall receive compensation, payable by the Issuer, equal to \$_____ (the "Fee"). On the Closing Date, the Issuer shall pay or cause to be paid the Fee to the Placement Agent by wire transfer of immediately available funds. The Fee does not include any services the Placement Agent may render in the future to the Issuer with respect to any offering or placement of municipal securities other than the Obligation.

2. Representations, Warranties, and Covenants of the Issuer. The undersigned, on behalf of the Issuer, but not individually, hereby represents and warrants to the Placement Agent (and it shall be a condition of the obligation of the Placement Agent to perform under this Agreement that it shall be represented and warranted on the Closing Date) that:

(a) The Issuer is duly organized and validly existing under the laws of the State of Arizona (the "State") with the power to adopt the Resolution, perform the agreements on its part contained therein and in the agreements approved thereby and cause the execution and delivery of the Obligation.

(b) The Issuer has complied materially and, in all respects on the Closing Date will be in material compliance, with all of the provisions of applicable law of the State.

(c) The Issuer has duly adopted the Resolution, and the Issuer has duly authorized and approved the execution and delivery of this Agreement and the Purchase Agreement and the Trust Agreement (as such terms are defined in the Resolution and, with this Agreement, collectively, the "Documents"), as well as the performance of its obligations contained in the Obligation and the consummation by it of all other transactions contemplated hereby.

(d) The Documents have been duly authorized, executed and delivered by the Issuer, and, assuming due authorization, execution and delivery by the other parties thereto, as applicable, constitute legal, valid and binding agreements of the Issuer enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if sought and by the limitations on legal remedies imposed on actions against the Issuer in the State.

(e) The Issuer is not in material breach of or material default under any applicable law or administrative regulation of the State or any department, division, agency or instrumentality thereof, or of the United States, or any applicable judgment or decree or any loan agreement, note, resolution, certificate, agreement or other instrument to which the Issuer is a party or is otherwise subject, which breach or default would materially and adversely affect the Issuer or its ability to perform its duties and obligations under the Documents, and the execution and delivery of the Documents, the adoption of the Resolution and the execution and delivery of the Obligation and compliance with the provisions of each will not conflict materially with or constitute a material breach of or default under any applicable law or administrative regulation of the State or under any certificate, agreement or other instrument to which the Issuer is a party or is otherwise subject, which breach or default would materially and adversely affect the Issuer or its ability to perform its duties and obligations under the Documents.

(f) No action, suit, proceeding or investigation at law or in equity before or by any court of governmental agency or body is pending or overtly threatened

in any way affecting the existence of the Issuer or the title of the members of the Mayor and Common Council of the Issuer to their respective offices or seeking to restrain or to enjoin the sale or execution and delivery of the Obligation, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Obligation, or in any way contesting or affecting the validity or enforceability of the Obligation, the Resolution or the Documents, or contesting the powers of the Issuer or the members of the Mayor and Common Council of the Issuer with respect to the Obligation.

(g) The Issuer has furnished the Placement Agent with certain information and materials concerning the Issuer and the Obligation that the Placement Agent requested (the "Information Package"). The following documents and information comprise the Information Package: _____ . To the extent necessary under applicable law if any, the Issuer represents and warrants that all information contained in the Information Package is, and will at all times during the period of the engagement of the Placement Agent hereunder be, true and correct in all material respects and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in light of the circumstances under which such statements are made.

3. Conditions to Closing. The obligations of the Placement Agent under this Agreement shall be subject, at the option of the Placement Agent, to the accuracy in all material respects of the representations, warranties and covenants on the part of the Issuer contained herein as of the date hereof and as of the Closing Date and to the performance by the Issuer of its obligations to be performed hereunder and under the Documents at or prior to the Closing Date and to the following additional conditions:

(a) At the Closing Date, the Obligation and the Documents shall have been duly authorized, executed and delivered by the respective parties thereto, in substantially the forms heretofore submitted to the Placement Agent with only such changes as shall have been agreed to by the Placement Agent, and the Documents shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Placement Agent, and there shall have been taken in connection therewith, with the issuance of the Obligation and with the transactions described therein and in this Agreement, all such action as the Placement Agent and hereinafter defined Special Counsel shall deem to be necessary and appropriate;

(b) At or prior to the Closing Date, the Placement Agent shall have received the following documents, in each case satisfactory in form and substance to the Placement Agent:

(1) The Documents (or certified copies thereof) duly executed and delivered by the respective parties thereto, with such amendments, modifications or supplements as may have been agreed to by the Placement Agent;

(2) The opinion of Greenberg Traurig, LLP, Special Counsel, dated the Closing Date in form and substance satisfactory to the Placement Agent,

relating to the validity of the Obligation and the tax-exempt status of the Obligation, together with a letter from such counsel, dated the Closing Date and addressed to the Placement Agent to the effect that the foregoing opinion may be relied upon by the Placement Agent to the same extent as if such opinion was addressed to them;

(3) A certificate of the Issuer, dated the Closing Date, in form and substance satisfactory to the Placement Agent, to the effect that:

(i) the Issuer has complied with and satisfied all the conditions on its part to be performed or satisfied under the Documents at or prior to the Closing Date and

(ii) the representations, warranties and covenants of the Issuer contained in this Agreement are true and correct as if made on the Closing Date.

(4) An Investor Letter, in the form attached to this Agreement as the Exhibit and in form and substance acceptable to the Placement Agent, executed by the purchaser of the Obligation and addressed to the Placement Agent; and

(5) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Placement Agent or its counsel, if any, and Special Counsel may reasonably request to evidence compliance by the Issuer with legal requirements, the truth and accuracy, as of the Closing Date, of the representations of the Issuer, and the due performance or satisfaction by the Issuer at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Issuer.

4. Termination. This Agreement may be terminated by either party upon ten (10) business days' prior written notice; provided, however, that, to the extent the Issuer may agree to do so pursuant to applicable law, the Fee shall be immediately due and payable by the Issuer if the Issuer terminates this Agreement and sells the Obligation to an investor identified by the Placement Agent to the Issuer prior to such termination and such sale occurs within six (6) months after termination of this Agreement.

5. Expenses. In addition to the Fee as provided in Section 1, hereof, there shall be paid solely from the proceeds of the sale of the Obligation, upon or promptly after the Closing Date: (a) the cost, if any, of the preparation and printing of the Obligation and (b) the fees and disbursements of Special Counsel and of any other counsel or consultants retained by the Issuer. The Placement Agent shall be under no obligation to pay any expenses incident to this Agreement.

6. Regulatory Disclosure: The Issuer acknowledges that, in connection with the purchase and sale of the Obligation, the offering of the Obligation for sale and the discussions and negotiations relating to the terms of the Obligation pursuant to and as set forth in this Agreement that (a) the Placement Agent has acted at "arm's length", is acting solely for its own account and is not agent of or advisor (including, without limitation, a Municipal Advisor

(as such term is defined in Section 975(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act)) and owes no fiduciary duty to, the Issuer or any other person, (b) the Placement Agent's duties and obligations to the Issuer shall be limited to those contractual duties and obligations set forth in this Agreement, (c) the Placement Agent may have interests that differ from those of the Issuer, and (d) the Issuer has consulted its legal and financial advisors to the extent it deemed appropriate in connection with the offering and sale of the Obligation. The Issuer further acknowledges and agrees that it is responsible for making its judgment with respect to the offering and sale of the Obligation and the process leading thereto. The Issuer agrees that it will not claim that the Placement Agent acted as a Municipal Advisor to the Issuer or rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Issuer, in connection with the offering or sale of the Obligation or the process leading thereto.

7. Survival of Certain Representations and Obligations. The respective agreements, covenants, representations, warranties and other statements of the Issuer and its officers set forth in or made pursuant to this Agreement shall survive delivery of and payment for the Obligation and shall remain in full force and effect, regardless of any investigation, or statements as to the results thereof, made by or on behalf of the Placement Agent.

8. Notices. Any notice or other communication to be given to the Issuer under this Agreement may be given by delivering the same in writing to the Issuer at its address set forth above. Any notice or other communication to be given to the Placement Agent under this Agreement may be given by delivering the same in writing to Stifel, Nicolaus & Company, Incorporated, 2325 East Camelback Road, Suite 750, Phoenix, Arizona 85016, Attention: B. Mark Reader, Managing Director.

9. No Assignment. This Agreement has been made by the Issuer and the Placement Agent, and no person other than the foregoing shall acquire or have any right under or by virtue of this Agreement.

10. Applicable Law.

(a) This Agreement shall be interpreted, governed and enforced in accordance with the laws of the State.

(b) This Agreement as required by the provisions of Section 38-511, Arizona Revised Statutes, notice is hereby given that the State, its political subdivisions (including the Issuer) or any department or agency of either may, within three (3) years after its execution, cancel any contract, without penalty or further obligation, made by the State, its political subdivisions or any of the departments or agencies of either if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions or any of the departments or agencies of either is, any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. The cancellation shall be effective when written notice from the Governor or the chief executive officer or governing body of the political subdivision is received by all other parties to the contract unless the notice specifies a later time. The State, its

political subdivisions or any department or agency of either may recoup any fee or commission paid or due to any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions or any department or agency of either from any other party to the contract arising as the result of the contract. This Section is not intended to expand or enlarge the rights of the City hereunder except as required by such Section. Each of the parties hereto hereby certifies that it is not presently aware of any violation of such Section which would adversely affect the enforceability of this Agreement and covenants that it shall take no action which would result in a violation of such Section.

11. Effectiveness. This Agreement shall become effective upon its execution by duly authorized officials of all parties hereto and shall be valid and enforceable from and after the time of such execution.

12. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

[Remainder of page left blank intentionally]

13. Counterparts. This Agreement may be executed in several counterparts (including counterparts exchanged by email in PDF format), each of which shall be an original and all of which shall constitute but one and the same instrument.

Respectfully submitted,

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

.....
B. Mark Reader
Managing Director

ACCEPTED this _____ of June, 2018.

CITY OF BISBEE, ARIZONA

By.....
Mayor

ATTEST:

.....
Clerk

EXHIBIT
FORM OF INVESTOR LETTER

City of Bisbee, Arizona

Stifel, Nicolaus & Company, Incorporated

Re: City of Bisbee, Arizona Pledged Revenue Refunding Obligation, Series 2018

The undersigned (the “Investor”) hereby acknowledges that it is purchasing \$2,170,000 aggregate principal amount of City of Bisbee, Arizona Pledged Revenue Refunding Obligation, Series 2018 (the “Obligation”) executed and delivered pursuant to a Resolution (the “Resolution”) of the Mayor and Common Council of the City of Bisbee, Arizona, adopted June 1, 2018. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

This letter is being provided pursuant to a Placement Agent Agreement, dated June 12, 2018 (the “Placement Agreement”), between the City of Bisbee, Arizona (the “Issuer”) and Stifel, Nicolaus & Company, Incorporated (the “Placement Agent”).

The Obligation was executed and delivered to refinance the costs of the Prior Projects and together with interest thereon shall be payable from Pledged Revenues.

In connection with the sale of the Obligation to the Investor, the Investor hereby makes the following certifications, representations and warranties upon which you may rely:

1. The Investor has the authority and is duly authorized to purchase the Obligation and to execute this letter and any other instruments and documents required to be executed by the Investor in connection with its purchase of the Obligation.

2. The Investor is (a) a “qualified institutional buyer” as that term is defined in Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), or (b) an “accredited investor” as that term is defined in Regulation D under the Securities Act.

3. The Investor is not purchasing the Obligation for more than one account. The Obligation is being acquired by the Investor solely for investment and not with a view to, or for resale in connection with, any distribution of the Obligation, and the Investor intends to hold the Obligation solely for its own account for investment purposes for an indefinite period of time, and does not intend to dispose of all or any part of the Obligation. However, the Investor may sell the Obligation at any time the Investor deems appropriate, subject to the transfer restrictions set forth in the Obligation and in the Trust Agreement. The Investor understands that it may need to bear the risks of this investment for an indefinite period of time, since a sale of the Obligation, or any portion thereof, prior to maturity may not be possible.

4. The Investor understands that the Obligation is not, and is not intended to be, registered under the Securities Act and that such registration is not legally required as of the date hereof and further understands that the Obligation (a) is not being registered or otherwise qualified for sale under the “blue sky” laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, (c) will not carry a rating from any rating agency, and (d) will be delivered in a form that may not be readily marketable.

5. The Investor acknowledges that it has either been supplied with or been given access to information, financial statements and other financial information to which a reasonable investor would attach significance in making investment decisions, and the Investor has had the opportunity to ask questions and receive answers from knowledgeable individuals, including its own counsel, concerning the Issuer and the Obligation and the security therefor so that, as a reasonable investor, the Investor has been able to make a decision to purchase the Obligation. The Investor has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its prospective investment in the Obligation.

6. The Investor acknowledges that the Obligation is payable solely from, and secured solely by, Pledged Revenues.

7. The Investor has made its own inquiry and analysis with respect to the Obligation and the security therefor, and other material factors affecting the security and payment of the Obligation. The Investor is aware that there are certain economic and regulatory variables and risks that could adversely affect the security for the Obligation. The Investor has reviewed the documents executed in conjunction with the execution and delivery of Obligation, or summaries thereof, including, without limitation, the Resolution, the Trust Agreement and the Purchase Agreement.

8. The Investor acknowledges and agrees that the Issuer takes no responsibility for, and makes no representation to the Investor, or any subsequent purchaser, with regard to, a sale, transfer or other disposition of the Obligation in violation of the provisions hereof, or any securities law or income tax law consequences thereof. The investor also acknowledges that, with respect to the Issuer’s obligations and liabilities, the Investor is solely responsible for compliance with the sales restrictions on the Obligation in connection with any subsequent transfer of the Obligation made by the Investor.

9. The Investor agrees that it is bound by and will abide by the provisions of the Trust Agreement relating to transfer, the restrictions noted on the face of the Obligation and this Investor Letter. The Investor shall comply with all applicable federal and state securities laws, rules and regulations in connection with any resale or transfer of the Obligation by the Investor.

10. The Investor acknowledges that the sale of the Obligation to the Investor is made in reliance upon the certifications, representations and warranties herein by the addressees hereto.

The interpretation of the provisions hereof shall be governed and construed in accordance with the laws of the State of Arizona without regard to principles of conflicts of laws.

All representations of the Investor contained in this letter shall survive the execution and delivery of the Obligation to the Investor as representations of fact existing as of the date of execution and delivery of this Investor Letter.

Date: June, 2018

Very truly yours,

Investor:

By:.....

Printed Name:.....

Title:

RESOLUTION NO.

RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF BISBEE, ARIZONA, A MUNICIPAL CORPORATION OF THE STATE OF ARIZONA, APPROVING THE SALE AND EXECUTION AND DELIVERY OF PLEDGED REVENUE REFUNDING OBLIGATIONS, EVIDENCING ALL THE INTERESTS OF THE OWNER THEREOF IN A PURCHASE AGREEMENT, TO PREPAY CERTAIN LEASE PURCHASE AND LOAN AGREEMENTS OF THE CITY, THE PROCEEDS OF WHICH FINANCED AND REFINANCED THE COSTS OF CERTAIN UTILITIES FACILITIES IN AND FOR THE CITY; APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH PURCHASE AGREEMENT, A TRUST AGREEMENT, A PLACEMENT AGENT AGREEMENT AND OTHER NECESSARY DOCUMENTS; DELEGATING AUTHORITY TO THE MANAGER AND FINANCE DIRECTOR OF THE CITY TO DETERMINE CERTAIN MATTERS AND TERMS WITH RESPECT TO THE FOREGOING; ADOPTING POST-ISSUANCE TAX COMPLIANCE PROCEDURES IN CONNECTION WITH ISSUANCE OF OBLIGATIONS OF THE CITY; AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION AND DECLARING AN EMERGENCY

WHEREAS, the Mayor and Council of the City of Bisbee, Arizona (the “City”), have determined to prepay the remaining outstanding amounts due pursuant to the City Lease, dated August 12, 2005, with the City of Bisbee Municipal Property Corporation and the Loan Agreements, dated May 2, 2005, and July 19, 2013, with the Water Infrastructure Finance Authority of Arizona (the “Prior Obligations”), which financed and refinanced the costs of utilities facilities in and for the City (collectively, the “Prior Projects”), by entering into a First Purchase Agreement, to be dated as of the first day of the month of the dated date of the hereinafter described Obligations established as provided herein (the “Purchase Agreement”), with a trustee bank to be appointed as provided herein, as trustee (the “Trustee”), in its separate capacity as “Seller”; and

WHEREAS, in connection with the Purchase Agreement, the Mayor and Council of the City have deemed it necessary and desirable to provide for the sale and execution and delivery of pledged revenue refunding obligations, provided for by this Resolution (the “Obligations”), pursuant to a First Trust Agreement, to be dated as of the first day of the month of the dated date of the Obligations (the “Trust Agreement”), between the Trustee and the City, evidencing all the interests of the owner of the Obligations in payments to be made by the City to the Trustee pursuant to the Purchase Agreement; and

WHEREAS, the payments represented by the Obligations will be secured by amounts received under the Purchase Agreement pursuant to which the City will pledge Pledged Revenues (as such term is defined in the Trust Agreement); and

WHEREAS, the Mayor and Council of the City will receive a proposal from Stifel, Nicolaus & Company, Incorporated, serving in the capacity of and designated as the placement agent (the "Placement Agent"), and not acting as a municipal advisor as defined in the "Registration of Municipal Advisors" rule promulgated by the United States Securities and Exchange Commission, and has determined that the Obligations should be placed by the Placement Agent with a purchaser (the "Purchaser"); and

WHEREAS, the Placement Agent will submit such proposal to place the Obligations pursuant to a Placement Agent Agreement, to be dated the date of placement of the Obligations (the "Placement Agent Agreement"), by and between the City and the Placement Agent; and

WHEREAS, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder (the "Regulations"), issuers of obligations, the interest on which is intended to be excludable from the gross income of the owners thereof for federal income tax purposes ("Tax-Exempt Obligations"), are required to establish policies and procedures to ensure compliance with the applicable provisions of the Code and the Regulations; and

WHEREAS, it is determined that procedures should be adopted in order to ensure that Tax-Exempt Obligations issued by the City comply with the provisions of the Code and the Regulations (the "Procedures"); and

WHEREAS, there have been presented to the Mayor and Council of the City at the meeting at which this Resolution is being adopted (1) the proposed form of the Purchase Agreement; (2) the proposed form of the Trust Agreement; (3) the proposed form of the Placement Agent Agreement and (4) the proposed form of the Procedures; and

WHEREAS, refinancing the costs of the Prior Projects pursuant to the Purchase Agreement is in furtherance of the purposes of the City and is in the public interest;

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF BISBEE, ARIZONA, THAT:

Section 1. (a) The execution and delivery of the Obligations by the Trustee is approved.

(b) The Manager or the Finance Director of the City are each authorized to determine on behalf of the City the identity of the Trustee; the series name and designation of the Obligations; the date the Obligations are to be placed by the Placement Agent; the total aggregate principal amount of the Obligations which are to be executed and delivered; the date the Obligations are to be dated; the dates on which interest on the Obligations is to be payable and the interest rates per annum the Obligations are to bear (but, except in the case of an

event of default or an event of taxability, not greater than _____ (_____%)); the dates the Obligations are to mature but not later than July 1, _____, the principal amounts to mature on such dates and the provisions for prepayment thereof in advance of such dates; the exercise of prepayment provisions with respect to the Prior Obligations and the terms upon which the Obligations are to be sold (including determinations of price, original issue discount and premium and Placement Agent compensation); provided, however, that the foregoing determinations shall result in present value savings, net of costs of issuance, of at least _____ percent (_____%) of the portion of the Prior Obligations being prepaid.

(c) The form and other terms of the Obligations, including the provisions for the signatures, authentication, payment, registration, transfer, exchange, redemption and number shall be as set forth in the Trust Agreement and are approved.

Section 2. The form, terms and provisions of the Purchase Agreement, the Trust Agreement and the Placement Agent Agreement, in substantially the forms of such documents (including the Obligations and other exhibits thereto) presented at the meeting of the Mayor and Council of the City at which this Resolution is being adopted are approved, with such final provisions, insertions, deletions and changes as determined as provided hereinabove and shall be approved by the Mayor of the City, any other member of the Council, the execution of each such document being conclusive evidence of such approval, and the Mayor of the City or any other member of the Council and, in the case of the Placement Agent Agreement, the Manager or the Finance Director of the City, or the Clerk of the City, where applicable, are authorized and directed, for and on behalf of the City, to execute and deliver and attest or approve the Purchase Agreement, the Trust Agreement and the Placement Agent Agreement and to take all action to carry out and comply with the terms of such documents.

Section 3. The Procedures are hereby adopted to establish policies and procedures in connection with Tax-Exempt Obligations issued by the City to ensure that all applicable post-issuance requirements of the Code and the Regulations needed to preserve the status of such Tax-Exempt Obligations are met. The right to use discretion as necessary and appropriate to make exceptions or request additional provisions with respect to the Procedures as may be determined is hereby reserved. The right to change the Procedures from time to time, without notice, is also reserved.

Section 4. The Trustee (including in its separate capacity as Seller) is requested to take any and all action necessary in connection with the execution and delivery of the Purchase Agreement, the Trust Agreement and the Placement Agent Agreement and the sale and execution and delivery of the Obligations and payment and prepayment of the Prior Obligations and is further authorized and directed to take such action as may be reasonable for the administration of the applicable trusts so held by it.

Section 5. The covenants and agreements contained in the Purchase Agreement as to the pledge of and the lien on Pledged Revenues and the restriction on the issuance of further parity obligations secured by Pledged Revenues are approved and confirmed.

Section 6. The Mayor, the Manager, the Finance Director and other officers of the City, on behalf of the City, are authorized and directed, without further order of the Mayor

and Council of the City, to do all such acts and things and to execute and deliver all such certificates, proceedings, agreements and other documents as may be necessary or convenient to be executed and delivered on behalf of the City (including entering into any agreements for administrative or procedural requirements requested by the Purchaser), to cause the sale and execution and delivery of the Obligations and to evidence compliance with, or further the purposes of, all the terms and conditions of this Resolution.

Section 7. All actions of the officers and agents of the City which conform to the purposes and intent of this Resolution and which further the sale and execution and delivery of the Obligations as contemplated by this Resolution, whether heretofore or hereafter taken, are ratified, confirmed and approved.

Section 8. If any section, paragraph, clause or phrase of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or phrase shall not affect any of the remaining provisions of this Resolution. All orders, resolutions and ordinances or parts thereof inconsistent herewith are hereby waived to the extent only of such inconsistency. This waiver shall not be construed as reviving any order, resolution or ordinance or any part thereof.

Section 9. The immediate operation of this Resolution is necessary for the economic prepayment of the Prior Obligations and the resulting preservation of the public health and welfare by expediting the prepayment of the Prior Obligations and an emergency is hereby declared to exist. This Resolution shall be in full force and effect from and after its passage, adoption and approval by the Mayor and Council of the City, as required by law, and is hereby exempt from the referendum provisions of the constitution and laws of the State of Arizona pursuant to Section 19-142(B), Arizona Revised Statutes. After any of the Obligations are delivered by the Trustee to the Purchaser and upon receipt of payment therefor, this Resolution shall be and remain irrevocable until the Obligations and the interest and premium, if any, thereon shall have been fully paid, cancelled and discharged.

[Remainder of page left blank intentionally.]

PASSED AND ADOPTED on this 29th day of May, 2018.

.....
Mayor, City of Bisbee, Arizona

ATTEST:

.....
City Clerk, City of Bisbee, Arizona

APPROVED AS TO FORM:

.....
City Attorney, City of Bisbee, Arizona

CERTIFICATION

I hereby certify that the foregoing Resolution No. was duly passed and adopted by the Mayor and Council of the City of Bisbee, Arizona, at a regular meeting held on the 29th day of May, 2018, and the vote was ayes and nays.

.....
City Clerk

WRITTEN POLICIES AND PROCEDURES FOR TAX-ADVANTAGED OBLIGATIONS

The City of Bisbee, Arizona (the “Issuer”), has issued and may in the future issue tax-exempt obligations (including, without limitation, bonds, notes, loans, leases and certificates) (together, “tax-advantaged obligations”) that are subject to certain requirements under the Internal Revenue Code of 1986, as amended (the “Code”).

The Issuer has established the policies and procedures contained herein (the “Procedures”) as of May 29, 2018, in order to ensure that the Issuer complies with the requirements of the Code that are applicable to its tax-advantaged obligations. The Procedures, coupled with requirements contained in the arbitrage and tax certificate or other operative documents (the “Tax Certificate”) executed at the time of issuance of the tax-advantaged obligations, are intended to constitute written procedures for ongoing compliance with the federal tax requirements applicable to the tax-advantaged obligations and for timely identification and remediation of violations of such requirements.

A. GENERAL MATTERS.

1. Responsible Officer. The Finance Director of the Issuer will have overall responsibility for ensuring that the ongoing requirements described in the Procedures are met with respect to tax-advantaged obligations (the “Responsible Officer”).
2. Establishment of Procedures. The Procedures will be included with other written procedures of the Issuer.
3. Identify Additional Responsible Employees. The Responsible Officer shall identify any additional persons who will be responsible for each section of the Procedures, notify the current holder of that office of the responsibilities, and provide that person a copy of the Procedures. (For each section of the Procedures, this may be the Responsible Officer or another person who is assigned the particular responsibility.)
 - a. Upon employee or officer transitions, new personnel should be advised of responsibilities under the Procedures and ensure they understand the importance of the Procedures.
 - b. If employee or officer positions are restructured or eliminated, responsibilities should be reassigned as necessary to ensure that all Procedures have been appropriately assigned.

4. Training Required. The Responsible Officer and other responsible persons shall receive appropriate training that includes the review of and familiarity with the contents of the Procedures, review of the requirements contained in the Code applicable to each tax-advantaged obligation, identification of all tax-advantaged obligations that must be monitored, identification of all facilities (or portions thereof) financed with proceeds of tax-advantaged obligations, familiarity with the requirements contained in the Tax Certificate or other operative documents contained in the transcript, and familiarity with the procedures that must be taken in order to correct noncompliance with the requirements of the Code in a timely manner.
5. Periodic Review. The Responsible Officer or other responsible person shall periodically review compliance with the Procedures and with the terms of the Tax Certificate to determine whether any violations have occurred so that such violations can be timely remedied through the “remedial action” regulations or the Voluntary Closing Agreement Program available through the Internal Revenue Service (“IRS”) (or successor guidance). Such periodic review shall occur at least annually.
6. Change in Terms. If any changes to the terms of the tax-advantaged obligations are contemplated, bond counsel should be consulted. Such modifications could jeopardize the status of tax-advantaged obligations.

B. IRS INFORMATION RETURN FILING. The Responsible Officer will confirm that bond counsel has filed the applicable information reports (such as Form 8038-G) for such issue with the IRS on a timely basis, and maintain copies of such form including evidence of timely filing as part of the transcript of the issue. The Responsible Officer shall file the IRS Form 8038-T relating to the payment of rebate or yield reduction payments in a timely manner as discussed in Section G.12. below. The Responsible Officer shall also monitor the extent to which the Issuer is eligible to receive a refund of prior rebate payments and provide for the timely filing for such refunds using an IRS Form 8038-R.

C. USE OF PROCEEDS. The Responsible Officer or other responsible person shall:

1. Consistent Accounting Procedures. Maintain or confirm maintenance of clear and consistent accounting procedures for tracking the investment and expenditures of proceeds, including investment earnings on proceeds.
2. Reimbursement Allocations at Closing. At or shortly after closing of an issue, ensure that any allocations for reimbursement expenditures comply with the Tax Certificate.
3. Timely Expenditure of Proceeds. Monitor that sale proceeds and investment earnings on sale proceeds of tax-advantaged obligations are spent in a timely fashion consistent with the requirements of the Tax Certificate.
4. Requisitions. Utilize or confirm the utilization of requisitions to draw down proceeds, and ensure that each requisition contains (or has attached to it) detailed

information in order to establish when and how proceeds were spent; review requisitions carefully before submission to ensure proper use of proceeds to minimize the need for reallocations.

5. Final Allocation. Ensure that a final allocation of proceeds (including investment earnings) to qualifying expenditures is made if proceeds are to be allocated to project expenditures on a basis other than “direct tracing” (direct tracing means treating the proceeds as spent as shown in the accounting records for draws and project expenditures). An allocation other than on the basis of “direct tracing” is often made to reduce the private business use of bond proceeds that would otherwise result from “direct tracing” of proceeds to project expenditures. *This allocation must be made within 18 months after the later of the date the expenditure was made or the date the project was placed in service, but not later than five years and 60 days after the date the tax-advantaged obligations are issued (or 60 days after the issue is retired, if earlier)*. Bond counsel can assist with the final allocation of proceeds to project costs. Maintain a copy of the final allocation in the records for the tax-advantaged obligation.
6. Maintenance and Retention of Records Relating to Proceeds. Maintain or confirm the maintenance of careful records of all project and other costs (e.g., costs of issuance, credit enhancement and capitalized interest) and uses (e.g., deposits to a reserve fund) for which proceeds were spent or used. These records should be maintained separately for each issue of tax-advantaged obligations for the period indicated under Section H. below.

D. MONITORING PRIVATE BUSINESS USE. The Responsible Officer or other responsible person shall:

1. Identify Financed Facilities. Identify or “map” which outstanding issues financed which facilities and in what amounts.
2. Review of Contracts with Private Persons. Review all of the following contracts or arrangements with non-governmental persons or organizations or the federal government (collectively referred to as “private persons”) with respect to the financed facilities which could result in private business use of the facilities:
 - a. Sales of financed facilities;
 - b. Leases of financed facilities;
 - c. Management or service contracts relating to financed facilities;
 - d. Research contracts under which a private person sponsors research in financed facilities; and
 - e. Any other contracts involving “special legal entitlements” (such as naming rights or exclusive provider arrangements) granted to a private person with respect to financed facilities.

3. Bond Counsel Review of New Contracts or Amendments. Before amending an existing agreement with a private person or entering into any new lease, management, service, or research agreement with a private person, consult bond counsel to review such amendment or agreement to determine whether it results in private business use.
 4. Establish Procedures to Ensure Proper Use and Ownership. Establish procedures to ensure that financed facilities are not used for private use without written approval of the Responsible Officer or other responsible person.
 5. Analyze Use. Analyze any private business use of financed facilities and, for each issue of tax-advantaged obligations, determine whether the 10 percent limit on private business use (5 percent in the case of “unrelated or disproportionate” private business use) is exceeded, and contact bond counsel or other tax advisors if either of these limits appears to be exceeded.
 6. Remediation if Limits Exceeded. If it appears that private business use limits are exceeded, immediately consult with bond counsel to determine if a remedial action is required with respect to nonqualified tax-advantaged obligations of the issue or if the IRS should be contacted under its Voluntary Closing Agreement Program. If tax-advantaged obligations are required to be redeemed or defeased in order to comply with remedial action rules, such redemption or defeasance must occur within 90 days of the date a deliberate action is taken that results in a violation of the private business use limits.
 7. Maintenance and Retention of Records Relating to Private Use. Retain copies of all of the above contracts or arrangements (or, if no written contract exists, detailed records of the contracts or arrangements) with private persons for the period indicated under Section H. below.
- E. LOAN OF BOND PROCEEDS.** Consult bond counsel if a loan of proceeds of tax-advantaged obligations is contemplated. If proceeds of tax-advantaged obligations are permitted under the Code to be loaned to other entities and are in fact so loaned, require that the entities receiving a loan of proceeds institute policies and procedures similar to the Procedures to ensure that the proceeds of the loan and the facilities financed with proceeds of the loan comply with the limitations provided in the Code. Require the recipients of such loans to annually report to the Issuer ongoing compliance with the Procedures and the requirements of the Code.
- F. ARBITRAGE AND REBATE COMPLIANCE.** The Responsible Officer or other responsible person shall:
1. Review Tax Certificate. Review each Tax Certificate to understand the specific requirements that are applicable to each tax-advantaged obligation issue.
 2. Arbitrage Yield. Record the arbitrage yield of the issue, as shown on IRS Form 8038-G or other applicable form. If the tax-advantaged obligations are variable

rate, yield must be determined on an ongoing basis over the life of the tax-advantaged obligations as described in the Tax Certificate.

3. Temporary Periods. Review the Tax Certificate to determine the “temporary periods” for each issue, which are the periods during which proceeds of tax-advantaged obligations may be invested without yield restriction.
4. Post-Temporary Period Investments. Ensure that any investment of proceeds after applicable temporary periods is at a yield that does not exceed the applicable yield, unless yield reduction payments can be made pursuant to the Tax Certificate.
5. Monitor Temporary Period Compliance. Monitor that proceeds (including investment earnings) are expended promptly after the tax-advantaged obligations are issued in accordance with the expectations for satisfaction of three-year or five-year temporary periods for investment of proceeds and to avoid “hedge bond” status.
6. Monitor Yield Restriction Limitations. Identify situations in which compliance with applicable yield restrictions depends upon later investments (e.g., the purchase of 0 percent State and Local Government Securities from the U.S. Treasury for an advance refunding escrow). Monitor and verify that these purchases are made as contemplated.
7. Establish Fair Market Value of Investments. Ensure that investments acquired with proceeds satisfy IRS regulatory safe harbors for establishing fair market value (e.g., through the use of bidding procedures), and maintaining records to demonstrate satisfaction of such safe harbors. Consult the Tax Certificate for a description of applicable rules.
8. Credit Enhancement, Hedging and Sinking Funds. Consult with bond counsel before engaging in credit enhancement or hedging transactions relating to an issue, and before creating separate funds that are reasonably expected to be used to pay debt service. Maintain copies of all contracts and certificates relating to credit enhancement and hedging transactions that are entered into relating to an issue.
9. Grants/Donations to Governmental Entities. Before beginning a capital campaign or grant application that may result in gifts that are restricted to financed projects (or, in the absence of such a campaign, upon the receipt of such restricted gifts), consult bond counsel to determine whether replacement proceeds may result that are required to be yield restricted.
10. Bona Fide Debt Service Fund. Even after all proceeds of a given issue have been spent, ensure that debt service funds, if any, meet the requirements of a “bona fide debt service fund,” i.e., one used primarily to achieve a proper matching of revenues with debt service that is depleted at least once each bond year, except for a reasonable carryover amount not to exceed the greater of: (i) the earnings on the

fund for the immediately preceding bond year; or (ii) one-twelfth of the debt service on the issue for the immediately preceding bond year. To the extent that a debt service fund qualifies as a bona fide debt service fund for a given bond year, the investment of amounts held in that fund is not subject to yield restriction for that year.

11. Debt Service Reserve Funds. Ensure that amounts invested in reasonably required debt service reserve funds, if any, do not exceed the least of: (i) 10 percent of the stated principal amount of the tax-advantaged obligations (or the sale proceeds of the issue if the issue has original issue discount or original issue premium that exceeds 2 percent of the stated principal amount of the issue plus, in the case of premium, reasonable underwriter's compensation); (ii) maximum annual debt service on the issue; or (iii) 125% of average annual debt service on the issue.
12. Rebate and Yield Reduction Payment Compliance. Review the arbitrage rebate covenants contained in the Tax Certificate. Subject to certain rebate exceptions described below, investment earnings on proceeds at a yield in excess of the yield (i.e., positive arbitrage) generally must be rebated to the U.S. Treasury, even if a temporary period exception from yield restriction allowed the earning of positive arbitrage.
 - a. Ensure that rebate and yield reduction payment calculations will be timely performed and payment of such amounts, if any, will be timely made. Such payments are generally due 60 days after the fifth anniversary of the date of issue, then in succeeding installments every five years. The final rebate payment for an issue is due 60 days after retirement of the last obligation of the issue. The Issuer should hire a rebate consultant if necessary.
 - b. Review the rebate section of the Tax Certificate to determine whether the "small issuer" rebate exception applies to the issue.
 - c. If the 6-month, 18-month, or 24-month spending exceptions from the rebate requirement (as described in the Tax Certificate) may apply to the tax-advantaged obligations, ensure that the spending of proceeds is monitored prior to semiannual spending dates for the applicable exception.
 - d. Make rebate and yield reduction payments and file Form 8038-T in a timely manner.
 - e. Even after all other proceeds of a given issue have been spent, ensure compliance with rebate requirements for any debt service reserve fund and any debt service fund that is not exempt from the rebate requirement (see the Arbitrage Rebate covenants contained in the Tax Certificate).
13. Maintenance and Retention of Arbitrage and Rebate Records. Maintain records of investments and expenditures of proceeds, rebate exception analyses, rebate

calculations, Forms 8038-T, and rebate and yield reduction payments, and any other records relevant to compliance with the arbitrage restrictions for the period indicated in Section H. below.

- G. RECORD RETENTION.** The Responsible Officer or other responsible person shall ensure that for each issue of obligations, the transcript and all records and documents described in these Procedures will be maintained while any of the obligations are outstanding and during the three-year period following the final maturity or redemption of that issue, or if the obligations are refunded (or re-refunded), while any of the refunding obligations are outstanding and during the three-year period following the final maturity or redemption of the refunding obligations.

ATTACHMENT I TO WRITTEN PROCEDURES

REMEDIAL ACTION PROCEDURES

Capitalized terms used herein but not defined have the meaning assigned thereto in Section 5 below and in the Written Policies and Procedures for Tax-Advantaged Obligations to which these Remedial Action Procedures are attached. This attachment describes written procedures that may be required to be taken by, or on behalf of, an issuer of Obligations.

1. **Background.** The maintenance of the tax status of the Obligations (*e.g.*, as tax-exempt obligations under federal tax law) depends on the compliance with the requirements set forth in the Internal Revenue Code of 1986, as amended (the “Code”). *The purpose of this attachment is to set forth written procedures to be used in the event that any deliberate actions are taken that are not in compliance with the tax requirements of the Code (each, a “Deliberate Action”) with respect to the Obligations, the proceeds thereof, or the property financed or refinanced by the Obligations (the “Financed Property”).*

2. **Consultation with bond counsel.** If a Deliberate Action is taken with respect to the Obligations and the Financed Property subsequent to the issuance or execution and delivery of the Obligations, then the Issuer must consult with Greenberg Traurig, LLP or other nationally recognized bond counsel (“bond counsel”) regarding permissible Remedial Actions that may be taken to remediate the effect of any such Deliberate Action upon the federal tax status of the Obligations. Note that remedial actions or corrective actions other than those described in this attachment may be available with respect to the Obligations and the Financed Property, including remedial actions or corrective actions that may be permitted by the Commissioner through the voluntary closing agreement programs (VCAP) provided by the Internal Revenue Service from time to time.

3. **Conditions to Availability of Remedial Actions.** None of the Remedial Actions described in this attachment are available to remediate the effect of any Deliberate Action with respect to the Obligations and the Financed Property unless the following conditions have been satisfied and unless bond counsel advises otherwise:

(a) The issuer of the Obligations reasonably expected on the date the Obligations were originally issued or executed and delivered that the Obligations would meet neither the Private Business Tests nor the Private Loan Financing Test of Section 141 of the Code and the Treasury Regulations thereunder for the entire term of the Obligations (such expectations may be based on the representations and expectations of the applicable conduit borrower, if there is one);

(b) The weighted average maturity of the Obligations did not, as of such date, exceed 120 percent of the Average Economic Life of the Financed Property;

(c) Unless otherwise excepted under the Treasury Regulations, the Issuer delivers a certificate, instrument, or other written records satisfactory to bond counsel demonstrating that the terms of the arrangement pursuant to which the Deliberate Action

is taken is *bona fide* and arm's-length, and that the non-exempt Person using either the Financed Property or the proceeds of the Obligations as a result of the relevant Deliberate Action will pay fair market value for the use thereof;

(d) Any disposition must be made at fair market value and any Disposition Proceeds actually or constructively received by the Issuer as a result of the Deliberate Action must be treated as gross proceeds of the Obligations and may not be invested in obligations bearing a yield in excess of the yield on the Obligations subsequent to the date of the Deliberate Action; and

(e) Proceeds of the Obligations affected by the Remedial Action must have been allocated to expenditures for the Financed Property or other allowable governmental purposes before the date on which the Deliberate Action occurs (except to the extent that redemption or defeasance, if permitted, is undertaken, as further described in Section 4(A) below).

4. **Types of Remedial Action.** Subject to the conditions described above, and only if the Issuer obtains an opinion of bond counsel prior to taking any of the actions below to the effect that such actions will not affect the federal tax status of the Obligations, the following types of Remedial Actions may be available to remediate a Deliberate Action subsequent to the issuance of the Obligations:

(a) Redemption or Defeasance of Obligations.

(i) If the Deliberate Action causing either the Private Business Use Test or the Private Loan Financing Test to be satisfied consists of a fair market value disposition of any portion of the Financed Property exclusively for cash, then the Issuer may allocate the Disposition Proceeds to the redemption of Nonqualified Obligations pro rata across all of the then-outstanding maturities of the Obligations at the earliest call date of such maturities of the Obligations after the taking of the Deliberate Action. If any of the maturities of the Obligations outstanding at the time of the taking of the Deliberate Action are not callable within 90 days of the date of the Deliberate Action, the Issuer may (subject generally to the limitations described in (iii) below) allocate the Disposition Proceeds to the establishment of a Defeasance Escrow for any such maturities of the Obligations within 90 days of the taking of such Deliberate Action.

(ii) If the Deliberate Action consists of a fair market value disposition of any portion of the Financed Property for other than exclusively cash, then the Issuer may use any funds (other than proceeds of the Obligations or proceeds of any obligation the interest on which is excludable from the gross income of the registered owners thereof for federal income tax purposes) for the redemption of all Nonqualified Obligations within 90 days of the date that such Deliberate Action was taken. In the event that insufficient maturities of the Obligations are callable by the date which is within 90 days after the date of the Deliberate Action, then such funds may be used for the establishment of a Defeasance Escrow within 90 days of the date of the Deliberate Action for all of the

maturities of the Nonqualified Obligations not callable within 90 days of the date of the Deliberate Action.

(iii) If a Defeasance Escrow is established for any maturities of Nonqualified Obligations that are not callable within 90 days of the date of the Deliberate Action, written notice must be provided to the Commissioner of Internal Revenue Service at the times and places as may be specified by applicable regulations, rulings, or other guidance issued by the Department of the Treasury or the Internal Revenue Service. Note that the ability to create a Defeasance Escrow applies only if the Obligations to be defeased and redeemed all mature or are callable within ten and one-half (10.5) years of the date the Obligations are originally issued or executed and delivered. If the Obligations are not callable within ten and one-half years, and none of the other remedial actions described below are applicable, the remainder of this attachment is for general information only, and bond counsel must be contacted to discuss other available options.

(b) Alternative Use of Disposition Proceeds. Use of any Disposition Proceeds in accordance with the following requirements may be treated as a Remedial Action with respect to the Obligations:

(i) the Deliberate Action consists of a disposition of all or any portion of the Financed Property for not less than the fair market value thereof for cash;

(ii) the Issuer reasonably expects to expend the Disposition Proceeds resulting from the Deliberate Action within two years of the date of the Deliberate Action;

(iii) the Disposition Proceeds are treated as Proceeds of the Obligations for purposes of Section 141 of the Code and the Regulations thereunder, and the use of the Disposition Proceeds in the manner in which such Disposition Proceeds are in fact so used would not cause the Disposition Proceeds to satisfy the Private Activity Bond Tests;

(iv) no action is taken after the date of the Deliberate Action to cause the Private Activity Bond Tests to be satisfied with respect to the Obligations, the Financed Property, or the Disposition Proceeds (other than any such use that may be permitted in accordance with the Treasury Regulations);

(v) Disposition Proceeds used in a manner that satisfies the Private Activity Bond Tests or that are not expended within two years of the date of the Deliberate Action must be used to redeem or defease Nonqualified Obligations in accordance with the requirements set forth in Section 4(a) hereof; and

(c) Alternative Use of Financed Property. The Issuer may be considered to have taken sufficient Remedial Actions to cause the Obligations to continue their applicable treatment under federal tax law if, subsequent to taking any Deliberate Action with respect to all or any portion of the Financed Property:

(i) the portion of the Financed Property subject to the Deliberate Action is used for a purpose that would be permitted for qualified tax-exempt obligations;

(ii) the disposition of the portion of the Financed Property subject to the Deliberate Action is not financed by a person acquiring the Financed Property with proceeds of any obligation the interest on which is exempt from the gross income of the registered owners thereof under Section 103 of the Code for purposes of federal income taxation or an obligation described in Sections 54A-54F, 54AA, or 6431 of the Code; and

(iii) any Disposition Proceeds other than those arising from an agreement to provide services (including Disposition Proceeds arising from an installment sale) resulting from the Deliberate Action are used to pay the debt service on the Obligations on the next available payment date or, within 90 days of receipt thereof, are deposited into an escrow that is restricted as to the investment thereof to the yield on the Obligations to pay debt service on the Obligations on the next available payment date.

Absent an opinion of bond counsel, no Remedial Actions are available to remediate the satisfaction of the Private Security or Payment Test regarding the same with respect to the Obligations. Nothing herein is intended to prohibit Remedial Actions not described herein that may become available subsequent to the date the Obligations are originally issued or executed and delivered to remediate the effect of a Deliberate Action taken with respect to the Obligations, the proceeds thereof or the Financed Property.

5. **Additional Defined Terms.** For purposes of this attachment, the following terms have the following meanings:

“*Commissioner*” means the Commissioner of Internal Revenue, including any successor person or body.

“*Defeasance Escrow*” means an irrevocable escrow established to redeem obligations on their earliest call date in an amount that, together with investment earnings thereon, is sufficient to pay the entire principal of, and interest and call premium on, obligations from the date the escrow is established to the earliest call date. A Defeasance Escrow may not be invested in higher yielding investments or in any investment under which the obligor is a user of the proceeds of the obligations.

“*Deliberate Action*” means any action, occurrence, or omission by the Issuer (or, if applicable, by a conduit borrower) that is within the control of the Issuer (or, if applicable, by such conduit borrower) that causes either (1) the Private Business Use Test to be satisfied with respect to the Obligations or the Financed Property (without regard to the Private Security or Payment Test), or (2) the Private Loan Financing Test to be satisfied with respect to the Obligations or the proceeds thereof. An action, occurrence, or omission is not a Deliberate Action if (1) the action, occurrence, or omission would be treated as an involuntary or

compulsory conversion under Section 1033 of the Code, or (2) the action, occurrence, or omission is in response to a regulatory directive made by the government of the United States.

“Disposition Proceeds” means any amounts (including property, such as an agreement to provide services) derived from the sale, exchange, or other disposition of property (other than Investments) financed with the proceeds of the Obligations.

“Nonqualified Obligations” means that portion of the Obligations outstanding at the time of a Deliberate Action in an amount that, if the outstanding Obligations were issued or executed and delivered on the date on which the Deliberate Action occurs, the outstanding Obligations would not satisfy the Private Business Use Test or the Private Loan Financing Test, as applicable. For this purpose, the amount of private business use is the greatest percentage of private business use in any one-year period commencing with the Deliberate Action.

“Private Activity Bond Tests” means, collectively, the Private Business Use Test, the Private Security or Payment Test, and the Private Loan Financing Test.

“Private Business Tests” means the Private Business Use Test and the Private Security or Payment Test.

“Private Business Use Test” has the meaning set forth in Section 141(b)(1) of the Code.

“Private Loan Financing Test” has the meaning set forth in Section 141(c) of the Code.

“Private Security or Payment Test” has the meaning set forth in Section 141(b)(2) of the Code.

“Remedial Action” means any of the applicable actions described in Section 4 hereof, or such other actions as may be prescribed from time to time by the Department of the Treasury or the Internal Revenue Service, which generally have the effect of rectifying noncompliance by the Issuer with certain provisions of Section 141 of the Code and the Regulations thereunder and are undertaken by the Issuer to maintain the federal tax status of the Obligations.

6. **Change in Law.** This attachment is based on law in effect as of this date. Statutory or regulatory changes, including but not limited to clarifying Treasury Regulations, may affect the matters set forth in this attachment.

DRAFT
05/23/18

FIRST PURCHASE AGREEMENT

by and between

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Seller

and

THE CITY OF BISBEE, ARIZONA,
as Purchaser

Dated as of June 1, 2018

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FIRST PURCHASE AGREEMENT

THIS FIRST PURCHASE AGREEMENT, dated as of June 1, 2018 (this "Agreement"), by and between THE CITY OF BISBEE, ARIZONA, a municipal corporation under the laws of the State of Arizona ("City"), as purchaser hereunder, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association authorized to execute trust powers in the State of Arizona ("Trustee"), in its capacity as trustee under the First Trust Agreement, dated as of even date herewith (the "Trust Agreement"), by and between Trustee and City, but in its separate capacity as seller hereunder,

WITNESSETH:

WHEREAS, the Mayor and Council of City have determined that it will be beneficial to the citizens of City for City to prepay the remaining outstanding amounts due pursuant to the Prior Obligations (as such term and all other undefined terms used herein are defined in the Trust Agreement); and

WHEREAS, for such purposes, the Mayor and Council of City requested that Trustee sell and execute and deliver the Obligations, and Trustee has, as described in the Trust Agreement, caused a deposit to be made to the Costs of Issuance Fund and amounts to be paid to the GADA Trustee; and

WHEREAS, City is a municipal corporation duly incorporated and validly existing under the laws of the State; the Constitution and the laws of the State authorize City to enter into this Agreement and the transactions contemplated by this Agreement; City has duly authorized and executed this Agreement; this Agreement is a lawful, valid and binding obligation of City, enforceable against City in accordance with its terms; all required procedures for execution and performance of this Agreement, including publication of notice, public hearing or competitive bidding, if applicable, have been or will be complied with in a timely manner; the Payments will be paid when due out of funds which are legally available for such purposes; neither the execution and delivery of this Agreement or the Trust Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or thereof nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which City is now a party or by which City is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of City; City has disclosed in writing to Trustee all facts that do or will materially adversely affect the properties, operations or financial condition of City and that any financial statements, notices or other written statements provided by City to Trustee pursuant hereto will not contain any untrue statement of a material fact or omit any material fact necessary to make such statements or information not misleading and the Prior Projects comply with all applicable environmental laws, rules and regulations (including, without limitation, all federal, state and local laws) and with Title III of the Americans with Disabilities Act and the regulations issued thereunder by the United States Department of Justice concerning accessibility of places of public accommodation and commercial facilities if and to the extent such Act and regulations apply to the Prior Projects; and

WHEREAS, Trustee has full legal authority and is duly empowered to enter into this Agreement and has taken all actions necessary to the execution and delivery hereof;

NOW THEREFORE, PURSUANT TO LAW AND FOR AND IN CONSIDERATION OF THE MUTUAL COVENANTS HEREINAFTER CONTAINED, IT IS HEREBY AGREED AS FOLLOWS:

Section 1. Term and Payments.

(a) In order to refinance the costs of the Prior Projects, City hereby sells and conveys any interests it has in the future value of the Prior Projects to Trustee, without warranty, for the sum of \$10.00 and other valuable consideration had and received. For the amounts payable pursuant hereto (including the Payments), Trustee in turn hereby sells and conveys back to City, without recourse, representation or warranty, and City hereby purchases from Trustee, any such interests Trustee has in the Prior Projects. (City acknowledges that the right of Trustee to sell the Prior Projects arises out of the deposit for the benefit of City with the GADA Trustee and that City is receiving good and valuable consideration from both such sales.)

(b) As the purchase price, City shall pay the Payments to Trustee. (The Interest Portion is interest for purposes of the Code.) This Agreement shall be deemed and construed to be a “*net purchase agreement*,” and the Payments shall be an absolute net return to Trustee, free and clear of any expenses or charges whatsoever, except as otherwise specifically provided herein.

City shall further also pay to Trustee its fees and expenses in accordance with the provisions of the Trust Agreement and to the United States of America any amounts required by Section 11(b)(ii).

City shall receive a credit against amounts so due, equal to any amounts held in the Payment Fund in excess of the amount then required to be in the Payment Fund. If the balance available in the Payment Fund after a Payment is insufficient to make the next required payments of principal and interest due on the Obligations on the next date for payment thereof, City shall pay any such deficiency in sufficient time to prevent default in the payment of principal or interest on the Obligations falling due on such date.

(c) The obligation of City to pay the amounts described in paragraph (b) hereof (including the Payments) from the sources described herein and to comply with the other provisions hereof shall be absolute and unconditional and shall not be subject to any defense or any right of set-off, abatement, counterclaim, or recoupment arising out of any breach by Trustee of any obligation to City or otherwise, or out of indebtedness or liability at any time owing to City by Trustee. Until such time as all of the payments described in Subsection (b) hereof (including the Payments) shall have been fully paid or provided for, City (i) shall not suspend or discontinue the same, (ii) shall comply with the other provisions hereof and (iii) shall not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Prior Projects or the taking by *eminent domain* of title to or temporary use of any or all of the Prior Projects,

commercial frustration of purpose, abandonment of the Prior Projects by City, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Trust Agreement or this Agreement. Nothing contained in this Section shall be construed to release Trustee from the performance of any of the agreements on its part herein or in the Trust Agreement contained and in the event Trustee shall fail to perform any such agreements on its part, City may institute such action against Trustee as City may deem necessary to compel performance so long as such action does not abrogate the obligations of City contained in the first sentence of this paragraph.

(d) Any of the payments described in Subsection (b) hereof (including the Payments) due on a day which is not a Business Day may be made on the next Business Day and will be deemed to have been made on the date due.

(e) Amounts payable to Trustee shall be paid by the means specified in writing to City.

Section 2. Pledge; Limited Obligations.

(a) Pledged Revenues are hereby irrevocably pledged by City to the payment of all amounts described in Subsection 1(b) hereof (including the Payments), and payment of such amounts shall be secured by a paramount and first pledge and lien on Pledged Revenues, on parity with the pledge and lien granted by City for the payment and security of any Additional Revenue Obligations. (The Pledged Revenues shall not secure any obligations senior to the Obligations and any Additional Revenue Obligations.) City shall make said payments from Pledged Revenues (first paying to the United States of America any amounts required by Section 11(b)(ii) and making the Payments and thereafter making the other required payments). All of such payments are coequal as to the pledge of and lien on Pledged Revenues and share ratably, without preference, priority or distinction, as to the source or method of payment from Pledged Revenues or security therefor.

(b) City shall remit to Trustee from Pledged Revenues all amounts due under this Agreement in the amounts and at the times and for the purposes as required herein. The obligation of City to make payments of any amounts due under this Agreement, including amounts due after default or termination hereof, is limited to payment from Pledged Revenues and shall under no circumstances constitute a general obligation or a pledge of the full faith and credit of City, the State or any of its political subdivisions, or require the levy of, or be payable from the proceeds of, any *ad valorem* property taxes.

(c) City may, at the sole option of City, make payments due pursuant to Section 1 hereof from its other funds as permitted by law and as City shall determine from time to time, but Trustee acknowledges that it has no claim hereunder to such other funds. No part of the purchase price payable pursuant to this Agreement shall be payable out of any *ad valorem* property taxes imposed by City or from bonds or other obligations, the payment of which City's general taxing authority is pledged, unless (i) the same shall have been duly budgeted by City according to law, (ii) such payment or payments shall be within the budget

limitations of the statutes of the State and (iii) any such bonded indebtedness or other obligation is within the debt limitations of the Constitution of the State.

Section 3. Surplus and Deficiency of Revenues from Pledged Revenues

. Pledged Revenues in excess of amounts, if any, required to be deposited with or held by Trustee for payments due under this Agreement shall constitute surplus revenues and may be used by City for any lawful purpose for the benefit of City, including the payment of obligations to which Pledged Revenues may from time to time be pledged on a basis subordinate hereto. If at any time the moneys in the funds held for payment of amounts due under this Agreement are not sufficient to make the deposits and transfers required, any such deficiency shall be made up from the first moneys thereafter received and available for such transfers under the terms of this Agreement and, with respect to payment from Pledged Revenues, *pro rata*, as applicable, with amounts due with respect to any Additional Revenue Obligations, and the transfer of any such sum or sums to said fund as may be necessary to make up any such deficiency shall be in addition to the then-current transfers required to be made pursuant hereto.

Section 4. Parity Lien Obligations

. Additional Revenue Obligations may be incurred but only if Pledged Revenues, in the most recently completed Fiscal Year, shall have amounted to at least two (2.0) times the Maximum Annual Debt Service.

Section 5. City Control over Revenue Collection

(a) To the extent permitted by applicable law, Pledged Revenues shall be maintained so that the amounts received from Pledged Revenues, all within and for the most recently completed Fiscal Year, shall have been equal to at least two (2.0) times the Annual Debt Service for the current Fiscal Year. If Pledged Revenues for any such Fiscal Year shall not have been equal to at least two (2.0) times the Annual Debt Service for the current Fiscal Year or if at any time it appears that Pledged Revenues will not be sufficient to meet such requirements, City shall, to the extent permitted by applicable law, impose new exactions of the type of the Excise Taxes which will be part of the Excise Taxes or increase the rates for the Excise Taxes currently imposed fully sufficient at all times, after making allowance for contingencies and errors, in each Fiscal Year in order that (i) Pledged Revenues will be sufficient to meet all current requirements hereunder and (ii) Pledged Revenues will be reasonably calculated to attain the level as required by the first sentence of this paragraph.

(b) In order to secure payment of this Agreement and to create a separate and special fund which shall contain only the Pledged Revenues and shall not contain any other moneys of City, City shall maintain a special fund known as the "City of Bisbee Pledged Revenues Fund" (the "Pledged Revenues Fund"). Upon receipt by City, the Pledged Revenues shall be deposited in and to the Pledged Revenues Fund. The Pledged Revenues Fund shall be funded only from the Pledged Revenues received by City and from no other source. After paying therefrom amounts of the Pledged Revenues for the purposes described herein, the

Pledged Revenues Fund may be reduced to zero, including by transferring any such balance to the General Fund of City.

Section 6. Certain Matters with Respect to Prior Projects

(a) Except with respect to its power and authority to enter into this Agreement and to perform its covenants hereunder, Trustee has made and makes no representation or warranty, express or implied, and assumes no obligation with respect to the title, merchantability, condition, quality or fitness of the Prior Projects for any particular purpose or the conformity of the Prior Projects to any plans, specifications, construction contract, purchase order, model or sample, or as to their design, construction, delivery, installation, construction oversight and operation or their suitability for use by City. All such risks shall be borne by City without in any way excusing City from its obligations under this Agreement, and Trustee shall not be liable to City for any damages on account of such risks. Except with respect to any acts by Trustee which are not undertaken at the request of City or with the prior approval of City, City waives all claims against Trustee growing out of the acquisition of the Prior Projects. Trustee shall have no liability to City for any failure of any contractor to perform any contract or other undertaking with respect to the Prior Projects in any respect. Trustee shall have no obligation to obtain or insure compliance with any required permits or approval procedures with respect to the Prior Projects. In the event of any defect in any item of the Prior Projects or other claim with respect to the Prior Projects, recourse of City shall be against the contractors, manufacturers, suppliers, etc. of the Prior Projects and, where applicable, the person selling the property to Trustee, and not against Trustee. For such purpose, Trustee hereby assigns and transfers to City the right, title and interest of Trustee in and to all representations, warranties, guarantees and service agreements relating to the Prior Projects made or entered into by Trustee and by any contractor, manufacturers, suppliers, etc. of the Prior Projects. Trustee further grants City the right to initiate and take all actions necessary to enforce any and all construction contracts and all such warranties and service agreements with the same force and effect as Trustee could do if the foregoing assignment had not been made. Trustee is entering into this Agreement solely as seller and shall not be personally liable hereunder and shall be afforded the same rights, protections, immunities and indemnities acting hereunder as afforded to it as Trustee under the Trust Agreement. Notwithstanding anything to the contrary herein, at no time shall Trustee be listed in the chain of title to the Prior Projects. Provisions governing the rights, immunities and protections of Trustee under the Trust Agreement are herein incorporated by reference into this Agreement as though fully set forth herein.

(b) Trustee hereby irrevocably appoints City as its sole and exclusive agent to act for and on behalf of Trustee in refinancing the costs of the Prior Projects. As such agent, City shall have full authority to do all things necessary to bring about refinancing the costs of the Prior Projects. Trustee shall not be liable, responsible or accountable for the acts of City as its agent hereunder, and City hereby assumes all responsibility for the performance of such duties.

(c) City, by keeping and performing the covenants and agreements herein contained, shall at all times during the term of this Agreement, peaceably and quietly,

have, hold and enjoy the Prior Projects, without suit, trouble or hindrance from Trustee. City hereby grants and conveys to Trustee, and all persons claiming by, through or under Trustee, including its successors and assigns under the Trust Agreement and the Owners for whom it acts, a nonexclusive easement upon, in and to the Prior Projects for the purpose of permitting the Prior Projects to be maintained upon the premises.

(d) Notwithstanding any other terms or provisions of this Agreement, the interest of Trustee in the Prior Projects is solely for the purpose of facilitating the refinancing of the Prior Projects, and Trustee shall not have the power, authority or obligation to assume any responsibility for the overall management or maintenance of the Prior Projects, including, without limitation, any day-to-day decision-making or operational aspects of the Prior Projects.

Section 7. Providing for Payment

. City may provide for the payment of any of the Payments in any one or more of the following ways:

(a) by paying the Payments as provided herein as and when the same become due and payable at their scheduled due dates pursuant to Section 1 hereof or on a date on which they can be prepaid;

(b) by depositing with a Depository Trustee, in trust for such purposes, money which, together with the amounts then on deposit with Trustee and available for the Payments is fully sufficient to make, or cause to be made, the Payments at their scheduled due dates or on a date on which they can be prepaid; or

(c) by depositing with a Depository Trustee, in trust for such purpose, any Defeasance Obligations which are noncallable, in such amount as shall be certified to Trustee and City, by a national firm of certified public accountants acceptable to City, as being fully sufficient, together with the interest to accrue thereon and moneys then on deposit with Trustee and available for the Payments, to make, or cause to be made, the Payments at their scheduled due date or on a date on which they can be prepaid.

Upon any partial prepayment of a Payment, each installment of interest which shall thereafter be payable as a part of the subsequent Payments shall be reduced, taking into account the interest rate or rates on the Obligation remaining outstanding after the partial prepayment so that the interest remaining payable as a part of the subsequent Payments shall be sufficient to pay the interest on such outstanding Obligations when due.

Section 8. Term of Agreement

. This Agreement shall not terminate so long as any payments are due and owing pursuant to the Obligations. Subject to Section 7 hereof, upon full payment or provision for payment and in consideration of the timely payment of all of the amounts described in Subsection 1(b) hereof (including the Payments) and provided that City has performed all the covenants and agreements required by City to be performed, this Agreement shall cease and expire. The obligations of City under this Agreement, including, without limitation, its obligation to pay the Payments, shall survive any action brought as provided in the next Section

hereof, and City shall continue to pay the Payments and perform all other obligations provided in this Agreement; provided, however, that City shall be credited with any amount received by Trustee pursuant to actions brought under the next Section hereof.

Section 9. Default; Remedies Upon Default

(a) (i) Upon (A) the nonpayment of the whole or any part of any of the amounts described in Subsection 1(b) hereof (including the Payments) at the time when the same are to be paid as provided herein or in the Trust Agreement, (B) the violation by City of any other covenant or provision of this Agreement or the Trust Agreement, (C) the occurrence of an event of default with respect to any Additional Revenue Obligations or (D) the insolvency or bankruptcy of City as the same may be defined under any law of the United States of America or the State, or any voluntary or involuntary action of City or others to take advantage of, or to impose, as the case may be, any law for the relief of debtors or creditors, including a petition for reorganization, and

(ii) if such default has not been cured (A) in the case of nonpayment of any of the amounts described in Subsection 1(b) hereof (including the Payments) as required hereunder or under the Trust Agreement on the due date or the nonpayment of principal or interest due with respect to any Additional Revenue Obligations on their due dates; (B) in the case of the breach of any other covenant or provision of the Trust Agreement or this Agreement not cured within sixty (60) days after notice in writing from Trustee specifying such default and (C) in the case of any other default under any Additional Revenue Obligations after any notice and passage of time provided for under the proceedings under which such obligations were issued then,

(iii) subject to the limitations of the Trust Agreement, Trustee may take whatever action at law or in equity, including the remedy of specific performance, may appear necessary or desirable to collect the Payments and any other amounts payable by City under the Trust Agreement or this Agreement then due (but not the Payments and such other amounts accruing), or to enforce performance and observance of any pledge, obligation, agreement or covenant of City under the Trust Agreement or this Agreement, and with respect to Pledged Revenues, without notice and without giving any bond or surety to City or anyone claiming under City, have a receiver appointed of Pledged Revenues which are pledged to the payment of amounts due hereunder, with such powers as the court making such appointment shall confer (and City does hereby irrevocably consent to such appointment); provided, however, that under no circumstances may the Payments be accelerated.

Each right, power and remedy of Trustee provided for in this Agreement shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for herein, or, unless prohibited by the terms hereof, now or hereafter existing at law or in equity or by statute or otherwise, in any jurisdiction where such rights, powers and remedies are sought to be enforced, and the exercise or beginning of the exercise by Trustee of any one or more of the

rights, powers or remedies provided for herein or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by either party of any or all of such other rights, powers or remedies. The failure to insist upon strict performance of any of the covenants or agreements herein set forth shall not be considered or taken as a waiver or relinquishment for the future of the rights of Trustee to insist upon a strict compliance by Trustee with all the covenants and conditions hereof. City shall, upon not less than 10 days' prior request by Trustee, execute, acknowledge and deliver to Trustee a statement in writing certifying that this Agreement is unmodified and in full force and effect (or, if this Agreement has been modified, that it is in full force and effect except as modified, and stating the modification), and the dates to which the amounts payable hereunder have been paid in advance, if any.

(b) Trustee shall in no event be in default in the performance of any of its obligations hereunder unless and until Trustee shall have failed to perform such obligation within thirty (30) days or such additional time as is reasonably required to correct any such default after notice by City properly specifying wherein Trustee has failed to perform any such obligation. No default by Trustee shall relieve City of its obligations to make the various payments herein required, so long as the Obligations remain outstanding; however, City may exercise any other remedy available at law or in equity to require Trustee to remedy such default so long as such remedy does not interfere with or endanger the payments required to be made to Trustee under the Trust Agreement.

Section 10. Assignment.

(a) Except as otherwise provided herein, City shall not assign, transfer, pledge or hypothecate or otherwise dispose of this Agreement or any interest therein, and any assignment in contravention hereof shall be void.

(b) Subject to the terms of the Trust Agreement, all and every part of the right, title and interest of City in and to this Agreement and all payments of any kind due or which become due to Trustee hereunder are sold, pledged, assigned and transferred pursuant to the Trust Agreement.

Section 11. Federal Tax Law Provisions

(a) (i) As described in further detail in the Tax Certificate, no direction for the making of any investment or other use of the proceeds of the Obligations or of the Prior Projects shall be made, permitted from being made or omitted from being made which would cause the Obligations to be "arbitrage bonds" as that term is defined in section 148 (or any successor provision thereto) of the Code or "private activity bonds" as that term is defined in section 141 (or any successor provision thereto) of the Code, and the requirements of such sections and related regulations of the Code shall be complied with throughout the term of the Obligations. Particularly, City shall be the owner of the Prior Projects for federal income tax purposes. City shall not enter into any management or service contract with any entity other than a governmental entity for the operation of any portion of the Prior Projects unless the

management or service contract complies with the requirements of such authority as may control at the time or any lease or other arrangement with any entity other than a governmental entity that gives such entity special legal entitlements with respect to any portion of the Prior Projects. Also, the payment of principal and interest with respect to the Obligations shall not be guaranteed (in whole or in part) by the United States or any agency or instrumentality of the United States. The proceeds of the Obligations, or amounts treated as proceeds of the Obligations, shall not be invested (directly or indirectly) in federally insured deposits or accounts, except to the extent such proceeds may be so invested for an initial temporary period until needed for the purpose for which the Obligations are being executed and delivered, may be so used in making investments in a *bona fide* debt service fund or may be invested in obligations issued by the United States Treasury. City shall comply with the procedures and covenants contained in any arbitrage rebate provision or separate agreement executed in connection with the execution and delivery of the Obligations (initially those in Subsection (b) and the Tax Certificate) for so long as compliance is necessary in order to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion. In consideration of the purchase and acceptance of the Obligations by the owners from time to time thereof and of retaining such exclusion and as authorized by Title 35, Chapter 3, Article 7, Arizona Revised Statutes, City shall, and the appropriate officials of City are hereby directed, to take all action required to retain such exclusion or to refrain from taking any action prohibited by the Code which would adversely affect in any respect such exclusion.

(ii) (A) City shall take all necessary and desirable steps, as determined by the Mayor and Council of City, to comply with the requirements hereunder in order to ensure that the Interest Portion is excluded from gross income for federal income tax purposes under the Code; provided, however, compliance with any such requirement shall not be required in the event City receives a Special Counsel's Opinion that either compliance with such requirement is not required to maintain the exclusion from gross income of the Interest Portion or compliance with some other requirement will meet the requirements of the Code relating to such exclusion. In the event City receives such a Special Counsel's Opinion, the parties agree to amend this Agreement to conform to the requirements set forth in such opinion.

(B) If for any reason any requirement hereunder is not complied with, City shall take all necessary and desirable steps, as determined by City, to correct such noncompliance within a reasonable period of time after such noncompliance is discovered or should have been discovered with the exercise of reasonable diligence and City shall pay any required interest or penalty under hereinafter described Regulations section 1.148-3(h) with respect to the Code.

(C) City designates the Obligations as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. It is represented and covenanted that City and all subordinate entities or entities that issue obligations on its behalf, or on behalf of which it issues obligations, during the current calendar year have not issued and will not issue tax-exempt obligations designated as qualified tax-exempt obligations in an aggregate amount, including the Obligations, exceeding \$10,000,000

(D) Written procedures have been established for City to ensure that all nonqualified obligations are remediated according to the requirements under the

Code and related Regulations and to monitor the requirements of section 148 of the Code relating to arbitrage, with which City will comply.

(b) (i) Undefined terms used in this Subsection shall have the meanings given to them in the Code and the Regulations.

(ii) Unless an exception available pursuant to the Regulations applies as indicated in a Special Counsel's Opinion or a written statement of an expert consultant employed pursuant to paragraph (vii) hereof, within 60 days after the end of each Bond Year, City shall cause the Rebate Requirement to be calculated and shall pay to the United States of America:

(A) not later than 60 days after the end of the fifth Bond Year and every fifth Bond Year thereafter, an amount which, when added to the future value of all previous Rebate Payments with respect to the Obligations (determined as of such Computation Date), is equal to at least 90% of the sum of the Rebate Requirement (determined as of the last day of such Bond Year) plus the future value of all previous Rebate Payments with respect to the Obligations (determined as of the last day of such Bond Year); and

(B) not later than 60 days after the retirement of the last Obligation, an amount equal to 100% of the Rebate Requirement (determined as of the date of retirement of the last Obligation).

Each Rebate Payment required to be made under this Subsection shall be filed on or before the date such payment is due, with the Internal Revenue Service at the appropriate location and with required forms and other materials, currently by addressing it to IRS Service Center, Ogden, Utah 84201, and accompanying it with IRS Form 8038-T.

(iii) No Nonpurpose Investment shall be acquired for an amount in excess of its fair market value. No Nonpurpose Investment shall be sold or otherwise disposed of for an amount less than its fair market value.

(iv) For purposes of paragraph (iii), whether a Nonpurpose Investment has been purchased or sold or disposed of for its fair market value shall be determined as follows:

(A) The fair market value of a Nonpurpose Investment generally shall be the price at which a willing purchaser would purchase the Nonpurpose Investment from a willing seller in a bona fide arm's length transaction. Fair market value shall be determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding.

(B) Except as provided in Subsections (v) or (vi), a Nonpurpose Investment that is not of a type traded on an established securities market, within the meaning of Code section 1273, is rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value.

(C) If a United States Treasury obligation is acquired directly from or sold or disposed of directly to the United States Treasury, such acquisition or sale or disposition shall be treated as establishing the fair market value of the obligation.

(v) The purchase price of a certificate of deposit that has a fixed interest rate, a fixed payment schedule and a substantial penalty for early withdrawal is considered to be its fair market value if the yield on the certificate of deposit is not less than:

(A) the yield on reasonably comparable direct obligations of the United States; and

(B) the highest yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

(vi) A guaranteed investment contract shall be considered acquired and disposed of for an amount equal to its fair market value if:

(A) A bona fide solicitation in writing for a specified guaranteed investment contract, including all material terms, is timely forwarded to all potential providers. The solicitation must include a statement that the submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with City or any other person (whether or not in connection with the Obligations), and that the bid is not being submitted solely as a courtesy to City or any other person for purposes of satisfying the requirements in the Regulations that City receive bids from at least one reasonably competitive provider and at least three providers that do not have a material financial interest in the Obligations.

(B) All potential providers have an equal opportunity to bid, with no potential provider having the opportunity to review other bids before providing a bid.

(C) At least three reasonably competitive providers (i.e., having an established industry reputation as a competitive provider of the type of investments being purchased) are solicited for bids. At least three bids must be received from providers that have no material financial interest in the Obligations (e.g., a lead underwriter within 15 days of the issue date of the Obligations or a financial advisor with respect to the investment) and at least one of such three bids must be from a reasonably competitive provider. If City uses an agent to conduct the bidding, the agent may not bid.

(D) The highest-yielding guaranteed investment contract for which a qualifying bid is made (determined net of broker's fees) is purchased.

(E) The determination of the terms of the guaranteed investment contract takes into account as a significant factor the reasonably expected deposit and drawdown schedule for the amounts to be invested.

(F) The terms for the guaranteed investment contract are commercially reasonable (i.e. have a legitimate business purpose other than to increase the purchase price or reduce the yield of the guaranteed investment contract).

(G) The provider of the investment contract certifies the administrative costs (as defined in Regulations section 1.148-5(e)) that it pays (or expects to pay) to third parties in connection with the guaranteed investment contract.

(H) City retains until three years after the last outstanding Obligation is retired, (1) a copy of the guaranteed investment contract, (2) a receipt or other record of the amount actually paid for the guaranteed investment contract, including any administrative costs paid by City and a copy of the provider's certification described in (G) above, (3) the name of the person and entity submitting each bid, the time and date of the bid, and the bid results and (4) the bid solicitation form and, if the terms of the guaranteed investment contract deviate from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose of the deviation.

(vii) Such experts and consultants shall be employed by City to make, as necessary, any calculations in respect of rebates to be made to the United States of America in accordance with section 148(f) of the Code with respect to the Obligations.

(c) Trustee has no duty or obligations under this Section 11 and has no duty to monitor compliance by City with this Section 11.

Section 12. Covenant as to Conflict of Interest; Other Statutory Restrictions

(a) To the extent applicable by provision of law, Trustee acknowledges that this Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, the provisions of which are incorporated herein and which provides that City may within three (3) years after its execution cancel any contract (including this Agreement) without penalty or further obligation made by City if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of City is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract. The cancellation shall be effective when written notice is received by all other parties to the contract unless the notice specifies a later time. No basis exists for City to cancel this Agreement pursuant to Section 38-511, Arizona Revised Statutes, as of the date hereof.

(b) To the extent applicable under Section 41-4401, Arizona Revised Statutes, Trustee shall comply with all federal immigration laws and regulations that relate to its employees and its compliance with the "e-verify" requirements under Section 23-214(A), Arizona Revised Statutes. The breach by Trustee of the foregoing shall be deemed a material breach of this Agreement and may result in the termination of the services of Trustee by City. City retains the legal right to randomly inspect the papers and records of Trustee to ensure that Trustee is complying with the above-mentioned warranty. Trustee shall keep such papers and

records open for random inspection during normal business hours by City. Trustee shall cooperate with the random inspections by City including granting City entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential. The City shall preserve the confidentiality of any information, records or papers the City views, accesses or otherwise obtains during any and every such random inspection, including, without limitation, such information.

(c) Pursuant to Section 35-393 et seq., Arizona Revised Statutes, Trustee hereby certifies it is not currently engaged in, and for the duration of this Agreement shall not engage in, a boycott of Israel. The term “boycott” has the meaning set forth in Section 35-393, Arizona Revised Statutes. If City determines that Trustee’s certification above is false or that it has breached such agreement, City may impose remedies as provided by law.

Section 13. Miscellaneous.

(a) No covenant or obligation herein to be performed by City may be waived except by the written consent of Trustee, and a waiver of any such covenant or obligation or a forbearance to invoke any remedy on any occasion shall not constitute or be treated as a waiver of such covenant or obligation as to any other occasion and shall not preclude Trustee from invoking such remedy at any later time prior to the cure by City of the condition giving rise to such remedy.

(b) This Agreement shall be construed and governed in accordance with the laws of the State in effect from time to time.

(c) The recitals set forth at the beginning of this Agreement are incorporated in this Agreement by this reference. This Agreement constitutes the entire agreement between the parties and shall not be modified, waived, discharged, terminated, amended, supplemented, altered or changed in any respect except by a written document signed by both Trustee and City, subject to the restrictions with regard thereto provided by the Trust Agreement.

(d) Any term or provision of this Agreement found to be prohibited by law or unenforceable or which would cause this Agreement to be invalid, prohibited by law or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without, to the extent reasonably possible, causing the remainder of this Agreement to be invalid, prohibited by law or unenforceable.

(e) The captions set forth herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

(f) Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, successors, assigns and personal representatives, as the case may be. Any person or entity acquiring any interest in or to the right, title or interest of Trustee herein shall be and have the rights of a third-party beneficiary hereunder.

(g) This Agreement may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

[Remainder of page left blank intentionally.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

Trustee:

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as seller

By.....

Printed Name:

Title:

City:

CITY OF BISBEE, ARIZONA, a municipal corporation under the laws of the State of Arizona, as purchaser

By.....

Mayor

ATTEST:

By.....

City Clerk

SCHEDULE

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
07/01/19			
01/01/20			
07/01/20			
01/01/21			
07/01/21			
01/01/22			
07/01/22			
01/01/23			
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01/01/26			
07/01/26			